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Challenges and Beyond

An artist's depiction of an arrow. Finding a way to build on the opportunities, making the most of challenges. Symbolising the spirit at Sun Pharma.

Disclaimer

Statements in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations, plans or predictions or industry conditions or events may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, and competitors' pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law. Unless the context otherwise requires, all references in this document to "we", "us" or "our" refers to Sun Pharmaceutical Industries Limited and consolidated subsidiaries.

2008-09 was a challenging year. In many ways. Every single economy of the world witnessed an economic downturn fuelled by the global liquidity crisis. The speed and the impact were in itself, daunting. Within the changes and corrections in the global systems is a ray of hope, not just for the world but for pharmaceutical companies like ours, as the focus on affordable health care intensifies.

Coincidentally, we too went through one of our more challenging years since we started business. Though new situations have been part of our business ever since we started to build it in 1983 and grew it to a Rs. 42,723 million business by 2008-09, the circumstances that we faced in 2008-09 were very different in magnitude and character.

Our 76% USA subsidiary Caraco received a Form 483 on inspection conducted by US FDA at its Detroit manufacturing facilities. This was followed by a warning letter on quality and non-conformance with SOP for the same facility. This did not have a material impact on the products that were already sold from this facility but it does block the approval of 25 pending ANDAs from Caraco. Caraco has since responded to the same. Caraco also had to recall all tablets of its brand Digoxin distributed prior to March 2009 as they differed in size. As communicated earlier, with support from Sun, Caraco is working hard to address these issues and ensure that such instances do not recur. From March beginning until May, the FDA conducted an inspection as a follow-up to its October 2008 warning letter and Caraco's subsequent response. On completion, the FDA investigators provided Caraco with a list of their observations on FDA Form 483, which Caraco has committed to provide a written response to. However, there were no deficiencies identified during the FDA inspection in the Quality Control Laboratory.

US FDA denied approval for our ANDA for generic Effexor XR®. The US FDA responding to a Citizen's Petition from Osmotica, also asked Sun Pharma to resubmit the ANDA if we wanted an approval. We have not been sued for our subsequent filing, but the generic approval will take its own course.

The Taro acquisition is under process. Mediation that was initiated on the recommendation of the Supreme Court of Israel, ended without any agreement being reached. A judgement is now awaited from the honourable court.

While these challenges called for quick responses, they did not affect the functioning of our underlying business across geographies. Our businesses continued to grow, add strength and earn a reasonable return.

As we look beyond, we believe that we have learnt through each of these challenges. These events have made us stronger, and hopefully we are now better prepared to deal with similar, or even larger, situations in the future.

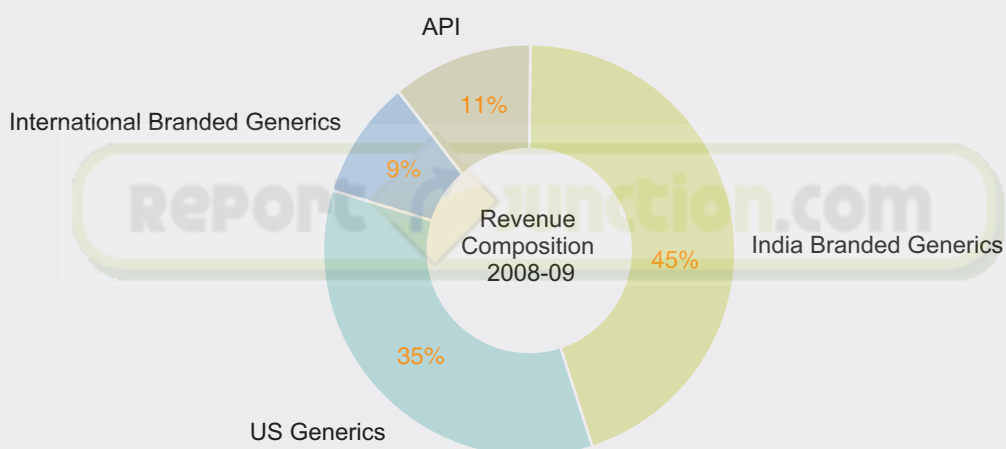
To quickly recap our 2008-09 results:

- We recorded sales of Rs. 42,723 million, a growth of 27% over the previous year
- Between Sun Pharma and Caraco, 38 ANDAs were filed covering 37 products
- 42 products were launched in India and ANDAs for 18 products were approved for the US
- We received the first approval for a controlled substance ANDA from our Cranbury, New Jersey facility
- Our expansion plans at Dadra, Halol and Detroit are being completed as per schedule

Business Overview

Sun Pharma's product portfolio consists of 4 main categories of products:

1. India Branded Generics
2. US Generics
3. International Branded Generics
4. Active Pharmaceutical Ingredients (API)



YEAR IN REVIEW

- Sun Pharma's annual sales for 2008-09 was Rs. 42,723 million, a growth of 27% over the previous year.
- This year, Sun's R&D expenditure was Rs. 3,320 million. The Company's cumulative spend on R&D over the years now amounts to Rs. 15 billion.
- In line with our intent of becoming an international generic pharma company, sales from international markets grew to 53% of our total turnover.
- Sales at Caraco were down 4% to USD 337 million.
- Between Sun Pharma and Caraco, a total of 69 ANDAs are now approved and 107 more await approval with the US FDA.
- 233 patents were filed and 76 granted based on research at our R&D centre.

Indian Pharmaceutical Market

India is the world's fourth largest pharmaceutical market in terms of volume and the 15th largest in terms of value (USD 8 billion) (Source: ORG IMS). It is primarily a retail-based branded generic market with 80% dispensed through pharmaceutical outlets. As in most emerging economies, acute therapies dominate and account for close to 75% of the market.

The Indian pharmaceutical industry has recorded a CAGR of 13.5% over the past five years. However, over the past two years, growth slowed a bit to 12.6%. Chronic therapies, such as diabetes, cardiovasculars, and products used to treat central nervous system ailments, are growing faster than acute therapy. While there was a slight decline in revenue growth in the first nine months of FY09, this probably was largely driven by a cut in excise duty from 8% to 4% that was passed through.

A draft of a new/revised drug price policy was being previously examined by the group of Cabinet Ministers in the country. The draft proposal seeks to expand the number of drugs significantly, to 354 molecules including those used to treat lifestyle ailments, under the purview of a pricing control regime. We continue to monitor the developments and will be able to assess our situation with respect to the policy only when the final policy is out. With a new government in place, this could likely be reviewed afresh.

With the domestic economy slowing, there have been well-founded fears of slowing growth in the pharma market. However,

in our estimate, the impact may be much lower and perhaps also be slower in comparison to the well-known cyclicals due to the strength in the longer-term growth story and the structural underpinnings of the market that remain intact -

- Changing demographics (including population growth) and rising disposable income due to which spend on healthcare is increasing
- Early and improving diagnosis
- Scope to increase penetration in the country - less than 40% of population is estimated to have access to modern medicines
- General increase in health awareness due to deep penetration of the electronic media
- Improving therapy/prescription compliance
- Improving health infrastructure with support from government's incentives

According to ORG IMS, other trends which continue to be witnessed by the industry include:

- Therapeutic profile of the Indian pharma market is changing from acute illnesses to chronic ailments. While prescriptions written by General Practitioners (GPs) are estimated to be growing at 2%, growth in specialist prescriptions is estimated at more than 5-6% p.a.
- In order to gain penetration, companies are increasing their reach to Class II-VI towns and rural areas. However, access to the market (i.e. connectivity and infrastructure), limited availability of doctors and dispensaries, lack of awareness and low inclination to pay are key hurdles.

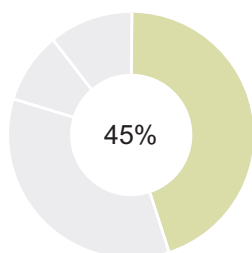


- The hospital market is expected to become a meaningful opportunity. Pharma sales to hospitals are estimated to be at Rs. 25 billion. Currently, around 250 companies are participating in this market.

According to ORG IMS Research, long term prospects of India's domestic market remain solid with the USD 8 billion market in 2008, expected to rise to USD 30 billion in 2020, implying a CAGR of 11.6% .

India Branded Generics

The India Branded Generics market, valued at Rs. 353.7 billion, grew by 10% during 2008. (Source: IMS - ORG Stockist Data)



India Branded Generics



THERAPY WISE COVERAGE: INDIA BRANDED GENERICS SEGMENT

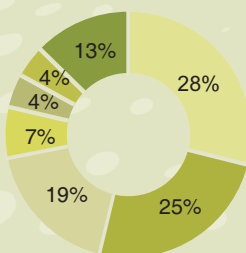
Speciality	Marketing Division
Psychiatry	Synergy, Symbiosis and Sirius
Neurology	Synergy, Symbiosis and Sirius
Diabetology	Arian, Azura Life Sciences and Avior
Cardiology	Arian, Azura Life Sciences and Avior
Ophthalmology	Avesta and Milmet
Gastroenterology and Others	Sun and Solares
Asthma (Chest) and COPD	Radiant
Orthopedics	Sun and Ortus
Gynecology	Spectra and Inca Life Sciences
Fertility	Inca Life Sciences
Urology	Inca Life Sciences
Dermatology	Ortus
Oncology	Sun Oncology A and B
Interventional Cardiology	Azura Critical Care
Anesthesia and ICU	Sun Speciality Care

YEAR IN REVIEW

Domestic formulations or India Branded Generics has shown rapid growth, contributing 45% to our total revenue during 2008-09. Our market share has grown from 2.6% in March 2001 to 3.5% during March 2009. The top 10 brands of the Company now contribute 21% of the sales in this segment. (Source: IMS - ORG Stockist Data)

During 2008-09, we demonstrated a 32% growth, with chronic therapy largely driving the growth. Fast-growing chronic therapies like Psychiatry, Neurology, Gastroenterology, Cardiology constitute more than 70% of our portfolio. We continue to demonstrate market leadership in the chronic segments. We rank amongst the top 3 in more than 50% of the brands from a portfolio of over 500 brands. A 2,500- representative strong field force across 18 marketing divisions helps build strong brand loyalty.

28% Central Nervous System
25% Gastroenterology and Diabetology
19% Cardiovascular System
13% Others
7% Gynecology and Urology
4% Musculo-Skeletal System
4% Respiratory System



Therapy-wise breakup

We have also been ranked number one among psychiatrists, neurologists, cardiologists, ophthalmologists and orthopedics (as per the CMARC survey) for a number of years now.

C MARC Ranks	Nov'02-Feb'03	Mar'04-Jun'04	Mar'05-Jun'05	Nov'05-Feb'06	Nov'06-Feb'07	July'07-Oct'07	Nov'07-Feb'08	Nov'08-Feb'09
Psychiatrists	1	1	1	1	1	1	1	1
Neurologists	1	1	1	1	1	1	1	1
Cardiologists	3	1	1	1	1	1	1	1
Orthopedic	6	4	3	2	1	1	1	1
Ophthalmologists	4	3	1	1	1	1	1	1
Diabetologists	3	4	2	1	1	1	1	2
Gastroenterologists	3	2	2	2	2	2	2	2
Chest Physicians	4	4	5	5	5	5	4	3
Nephrologists	5	4	4	4	4	4	4	4
Consultant Physicians	5	5	5	5	5	5	5	5
Oncologists	6	8	3	4	4	6	6	7
Urologists	11	11	10	8	8	10	9	8
ENT Specialists	5	9	9	10	5	16	16	17

Participation at Conferences

Our CNS division participated strongly at three major conferences - the annual meets of the Indian Association of Private Psychiatrists or IAPP (in Hyderabad), Indian Association of Neurology or IAN (in Delhi), as well as Neurology Society of India or NSI (in Pune). The participation was driven towards creating brand awareness as well as enriching the customer's knowledge base and was aided by distribution of CDs and journals.

Our Spectra & Inca Life Science (our Gynec division) saw strong participation at the 52nd annual conference of Federation of Obstetric and Gynecological Societies of India (FOGSI).

At the inaugural function of the Association of Radiation Oncologists of India (AROI) conference, Sun Pharma was accorded special recognition for its contribution to post graduate teaching programmes.

CME Programmes

Participation at CME programmes continued to be well attended. These included (a) CME programmes for super specialties (b) Comprehensive review of Movement Disorders (The Aspen India Course) (c) Teaching programme for Oncology PG students under the wings of Indian College of Radiation Oncology (ICRO) and AROI in teaching institutes and (d) Self study from Europe for respiratory specialists and chest physicians all over the country.

Empowering Knowledge

Under the guidance of The Indian Society of Gastroenterology (ISG) Education Committee, our Gastro Division proposed and initiated an exclusive twice in a year training programme for post graduate students in Gastroenterology from across the country. This training will not only help the students prepare for their exams better, but will also increase their overall knowledge in their areas.

Working closely with the Academy of Master Teachers, an intensive two day programme has been developed for various post graduate students across Mumbai and Hyderabad. This gives students an opportunity to examine live cases, and watch how leading professionals reach their diagnoses.

We continued with our initiative of bringing the latest international medical advances to Indian doctors.

- Post our first success of using webcast technology, this year, we arranged a video conferencing for 1,100 doctors in 20 Indian cities with Dr. Paul Ridker, a principal investigator in the Rosuvastatin JUPITER trial, the landmark trial for the key cholesterol lowering agent.
- We also hosted the President-elect, Medicine & Science of the American Diabetes Association, Dr. John Buse and his team at four centers in India, where they shared the latest highlights on scientific advances such as apo B and post prandial hyperglycemia with 1,100 doctors.

- The other educational initiatives taken in the field of cardiology and diabetes under the best practices series include the amalgamation of leading Indian and foreign faculties under the banner of well appreciated Best of ACC/Best of ESC/Best of EASD events.

Others

Besides leaving a mark with the medical community, our Aakanksha-designed campaign has also made its presence felt at the Rx Club Awards NY with our promotional theme “Every heart counts for us” and the Aztor EZ theme “The lower you reach, the more rewarding it is”.

Highlights of the year

42 products have been brought to the market in India in FY09, across 18 marketing divisions. 9 products used a technology-based differentiation or were complex, 12 were integrated to API.

Pantocid group, Aztor, Strocit and Gemer continue to grow at double-digit growth rates in extremely competitive markets.

We brought to the market hi-tech Octride Depot 20 mg and 10 mg once a month injections, a one-of-its-kind product for the treatment of serious and difficult to treat indications such as Neuroendocrine Tumors (NETs) and Acromegaly. We introduced a number of complex products such as Tamlet (modified release Tamsulosin Hydrochloride & Extended Release Tolterodine Tartarate Capsules), Tyrogef (Gertifinib), Cernos Depot (Testosterone Undecanoate).

OUTLOOK

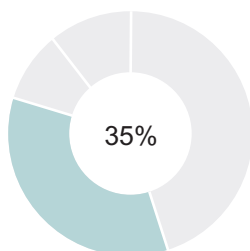
Sun Pharma ranks as the leader in several therapies including Psychiatry, Neurology, Cardiology, Diabetology, Ophthalmology and Orthopedics. Our goal is to strengthen our leadership position. To this end, we continue to concentrate on our strategy to focus on chronic therapies to create a sustainable revenue stream from the Indian market. We intend to retain and strengthen our position in these therapies as well as attain the first position in other therapies where we currently have a lower rank, thus increasing our market share and keeping consumer focus.

We have worked steadily to make Sun Pharma a company that can deliver sustained, high-quality growth. We continue to help patients by bringing to the market technically complex products supported by our very able sales and marketing force and a productive Research and Development (R&D) cell.

From an operations perspective, we continue to focus on minimizing the time taken to launch our products in the market and optimize operational costs through vertical integration.



US Generics



US Generics



MARKET SCENARIO

The generics market remains a major growth area in the global healthcare arena. It continues to grow at a faster pace than the global pharma market, largely due to regular patent expirations of blockbuster drugs. Rising healthcare expenditure also contributes to industry expansion, with governments seeking cost-containment in several national healthcare sectors, by promoting the use of generic products over higher-priced originator products.

However, the year 2008 witnessed significant reduction in sales growth, despite robust volume increases. This was largely on account of manufacturers increasingly competing in price battles within most of the world's major markets.

Global generic products generated USD 78 billion in audited sales in the twelve months through September. The top eight global markets - the US, Germany, France, the UK, Canada, Italy, Spain and Japan - today account for 84% of total generics sales. (Source: IMS 2008 Global Pharmaceutical Market and Therapy Forecast)

US, the world's largest generics market with 42% of global sales, experienced a 2.7% sales decline in the twelve months ending September 2008 while volume increased 5.4 % during the same period. The market is currently valued at USD 33 billion, compared with USD 34 billion last year, reflecting declining prices and fewer blockbusters losing patent protection in 2008. (Source: IMS 2008 Global Pharmaceutical Market and Therapy Forecast) Generic products now account for 71.5% of the total US pharmaceutical market volume, however accounting for only 21.6% of all dollars spent on prescription. (Source: Generic Pharmaceutical Association 2009 Report)

The return of Democrats to power in the White House and US Congress should further improve the prospects of generic companies in the US pharmaceutical market. In all likelihood, the new Democrat regime in the US will be additionally pro-generic, given the

significant cost benefits associated with generics. According to the Generic Pharmaceutical Association (GPhA), while brand prescription drug prices rose by nearly 9%, generic drug prices decreased by an average of 10.6% in 2008.

The new administration also has the eminent task of a comprehensive health care reform to rein in the skyrocketing health care costs that are driving Medicare closer to the financial brink. According to the Trustees' 2009 report on Medicare, the program will be insolvent by 2017, two years sooner than projected in last year's report.

Perhaps the most important stimulus to the generics market will come from implementation of health insurance coverage for all Americans. This would mean that about 47 million Americans that are currently out of any health insurance will come under coverage, expanding the market for cost-effective therapeutics, including generics. Initial reports indicate that President Obama has already begun to take steps in this direction. In his first budget, he is expected to seek USD 634 billion over 10 years as a down payment on health care reforms- more than half of the estimated total cost of bringing 47 million Americans under coverage.



YEAR IN REVIEW

The US generics market continues to be our highest priority market, with more than 35% of our total sales coming from this segment. With integrated manufacturing capability and the flexibility to manufacture onshore/offshore, we expect strong momentum in this segment going forward.

The year was marked with a number of ANDA approvals from the US FDA including our first controlled substance approval.

During the year, we received ANDA approvals for 18 products, including the following significant approvals:

- Carboplatin inj.
- Divalproex Sodium DR tabs
- Pamidronate inj.
- Leuprolide inj.
- Hydrocodone with Acetaminophen

As of March 2009, ANDAs for 107 products await approval (including 7 tentative), of this, 82 products are from Sun Pharma (3 tentative), and 25 from Caraco, (4 tentative).

Controlled Substances

During the year, our subsidiary acquired 100% ownership of Chattem Chemicals, Inc. (Chattem) in Chattanooga, Tennessee, USA from Elcat, Inc. Chattem is a narcotic raw material importer, registered to import and manufacture controlled substances. The Company also manufactures a variety of APIs with a focus on controlled substances. With this acquisition, we have increased our presence in the controlled substances market and the pain management segment in the US. Our Cranbury, US facility also received ANDA approval for the production of Generic Hydrocodone bitartate with acetaminophen (APAP) tablets. This is our first approval for products based on controlled substances.

Generic Effexor XR®

In November 2008, the US FDA granted Osmotica's Citizen Petition regarding Venlafaxine extended release tablets. In this petition, US FDA was requested to refrain from approving any pending ANDA for such tablets that cited Wyeth's Effexor XR® capsules as the reference drug. The FDA also asked Sun Pharma to resubmit the ANDA if we wanted an approval.

We have not been sued in terms of our subsequent filing but the generic approval will take its own course.

OUTLOOK

Today, there are nearly 9,000 generic drugs available for nearly 11,500 products approved in the US. The stream of brand product patent expirations will continue to drive growth in the generic industry over the next several years. Industry analysts estimate that brand products with approximately USD 60 billion in annual sales will lose market protection by 2011 further expanding patient options and savings. (Source: Generic Pharmaceutical Association 2009 Report)

With more and more number of entrants wanting a pie of the US generics market, there has been a sharp increase in the number of ANDA applications. This has led to increasing lead-time per approval as well as a concern about high dependence of US citizens on medicines produced outside the US. In order to cope with this, the US FDA is aggressively increasing its

Caraco

Caraco manufactures its own ANDAs and distributes ANDAs approved for Sun Pharma. Caraco filed 10 ANDAs that cover 9 products in 2008-09. The Company received approvals for 8 ANDAs relating to 3 products. 29 ANDAs (including 4 tentative approvals) for 25 products await approval by the FDA.

Caraco recorded sales of USD 337 million in 2008-09, a decline of 4% over the previous year.

In June 2008, Caraco received a Form 483 from the US FDA, on inspections conducted by the FDA at Caraco's Detroit manufacturing facility in May 2008. Caraco had responded to the FDA's observations.

In October 2008, Caraco received a warning letter from the FDA on quality practices and non-conformance with SOPs related to its manufacturing site in Detroit. Caraco had replied to the US FDA's warning letter, thereby confirming that it has addressed the issues, making a few specific time-bound commitments.

While this will not have an impact on the existing products which are already sold from Caraco, it does block the approval of any pending ANDA submitted by Caraco.

Besides this, in March 2009, Caraco had to recall all tablets of Caraco brand Digoxin, USP, 0.125 mg, and Digoxin, USP, 0.25 mg, distributed prior to March 31, 2009, which have not expired and are within the expiration date of September 2011, to the consumer level. The tablets were recalled because they differed in size and therefore could have more or less of the active ingredient, Digoxin.

Generic Protonix®

In 2007, we received ANDA approval to market a generic version of Wyeth's Protonix®, Pantoprazole tablets. We were one of the first-to-file an ANDA for generic Protonix® with a para IV certification, and shared a 180-day marketing exclusivity with Teva for this product.

We launched this product in January 2008 after the exclusivity was triggered by another generic filer and Wyeth had launched an authorized generic, and since then generic Protonix® has significantly contributed to our revenue and profits. We do not expect to discontinue selling generic Protonix® in 2009.

We are currently involved in patent litigation with Wyeth and Nycomed concerning this product in the US District Court for the District of New Jersey.

All registered trademarks are the property of their respective owners.

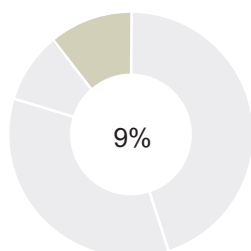
staff strength as well as opening overseas offices and inspection infrastructure to inspect manufacturing facilities.

The level of scrutiny by the US FDA also appears to have increased after some incidents and the legislative criticism that it received for the same. This along with the fact that the FDA has now set up an office in India could lead to more frequent and surprise inspections.

However, we do not see this to be an impediment to growth for the industry as a whole and view it as a positive development which will result in acceleration in product approvals.

We expect that the US market will continue to be progeneric and it will continue to remain a high priority market for us. With our diverse portfolio and integrated manufacturing facility, we intend to participate well in this opportunity in the coming years.

International Branded Generics



International
Branded Generics



MARKET SCENARIO

A recent study of the global pharma market by region clearly indicates the growing importance of the international (Non-US/North America) markets in the industry. Out of the approximately USD 773 billion global market in 2008, around USD 461 billion of sales came from the non-North America regions. The global market is expected to grow at a CAGR of 3-6% over 2008-2013 and North America is expected to experience negative growth or a maximum of 2% growth. It is regions like Asia, Africa, Australia and Latin America which are expected to grow at a CAGR of 11-14% in this period. (Source: IMS Health Market Prognosis, March 2009)

YEAR IN REVIEW

International Branded Generics constitute 9% of the total sales of the Company, growing at a 3-year CAGR of 41%. Our reach extends to over 30 countries with a combined local sales force of over 400 people.

During the year, we had over 300 new registrations. In all, we have registered close to 1,600 products and another 1,000 are awaiting registration. Our growth in this segment has not only come from the introduction of new products but also from increased sales on existing products.

Our reach extends to countries in Asia, Africa and Latin America. We entered two new markets this year viz. Algeria and Venezuela. Pantoprazole, Encorate chrono, Aztor, Citopam, Zosert and Dazolic were amongst the largest brands we marketed internationally.

Russia is moving from a government and hospital-based system to a prescription pull-based market. With a large number of products awaiting registration in several therapies, Russia promises significant growth potential in the coming years.

Rules for product registration have become more stringent in China. Registration now requires Bioequivalence or Clinical trials which increases the time and costs significantly. On a positive note, we continue to perform well in Mexico. The market here is innovation molecule driven but we have been able to gain the most from their close generics. We are also increasing our product basket.

OUTLOOK

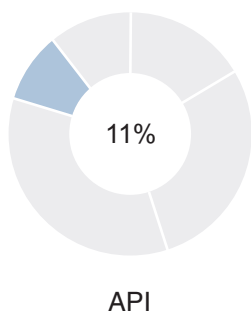
We continue to rely upon our strengths viz. wide portfolio of specialty prescription products and strong product promotion skills to execute our international plans while we slowly gain expertise on handling tender/government business in each of the countries we are present in. Going forward, we will strongly focus on China, South-East Asia, South Africa, Brazil, Mexico and the CIS region for this segment of our business. By rapidly expanding our product offering and building a sizeable sales force, we intend to significantly improve our prescription/market share in these countries.

Europe

Europe is a region where we intend to increase our generic focus in the years to come. According to European Generic medicines Association's (EGA) Market Review 2007, the EU generic medicines market was about USD 31 billion. We continue with our efforts to enter key markets with a limited number of complex generic products viz. injectables initially. We will then offer more products and selectively build up a portfolio in this market.



API



India is on its way to become a global leader in API production. The Indian API manufacturing industry is projected to make sales of USD 4.8 billion by 2010, exhibiting an average yearly growth rate of over 19%. Though, there was a global slowdown in the API market in 2008 due to the recession, long term prospects continue to be promising. With our rational costs, rapid speed to market and strong regulatory capability (133 DMF/CEP have been approved or are awaiting approval), Sun Pharma is well placed to capitalize on this opportunity.

Around 160 specialty APIs are produced across 8 world-class locations, all of which are ISO 14001 and ISO 9002 approved, besides being approved by the respective foreign regulatory authorities. 6 of these are in India while we have one plant each in Hungary and USA for the manufacture of APIs for controlled substances. We also have standalone units in our plants in India for the manufacture of peptides, anticancers, steroids and sex hormones.

A large part of our API capacity is used for in-house consumption. During 2008-09, our API sales grew to Rs. 4,846 million, contributing 11% to our total turnover. This segment has been growing at a 3 year CAGR of 21%.

78% of API sales come from international markets. The European market has performed well for us this year with older products like 5 ASA, Pentoxifylline and Clomipramine in which we have good market shares.

Our integration into API manufacturing is an important part of our business. It strengthens our Indian and developing markets business, and our ability to take on challenges in the US generic market.

This year, we scaled up 30 APIs. This brings our total regulated market approved API to 81 of 133 filings made for DMF and CEP.

API PRODUCT LIST

Acamprosate Calcium	Flurbiprofen [*]	Noscapine HCl
Acenocoumarol	Fluticasone Propionate [,\$,*]	Octreotide Acetate [,\$,#]
Alendronate Sodium [#]	Fluvoxamine Maleate [,\$,#]	Olanzapine [,\$]
Aluminium-magnesium- hydroxyl Carbonate-hexahydrate	Fosphenytoin Sodium [,\$]	Ondansetron Base [,\$]
Amisulpride	Gabapentin [,\$,#]	Ondansetron Hcl [,\$,*]
Amitriptyline	Gemcitabine Hcl [,\$,#,*]	Oxaliplatin [,\$]
Ammonium Lactate Solution	Glibornuride [#]	Oxandrolone
Aqueous	Glimepiride [,\$]	Oxcarbazepine [,\$]
Anastrozole	Glycine, USP	Oxethazaine
Atomoxetine	Granisetron Hcl [,\$]	Oxycodone HCL
Balsalazide	Hemihydrate [*]	Oxymorphone
Benzphetamine Hydrochloride	Hydroxyamphetamine Hydrobromide, USP	Paliperidone
Bicalutamide [#]	Hydroxychloroquine	Pamabrom, USP ~
Budesonide	Ibandronate Sodium [,\$]	Pamidronate Disodium [,\$,#]
Buprenorphine HCl	Imatinib Mesylate [,\$]	Pantoprazole [,\$,#]
Bupropion Hcl	Irbesartan	Paroxetine [,\$]
Buspirone Base [,\$,#]	Irinotecan [#]	Pentoxifylline [,\$,*]
Buspirone HCl [,\$,#]	Isradipine	Perindopril
Butabarbital Sodium, USP	Lamotrigine [,\$]	Phenobarbital Acid [,\$,#]
Butabarbital, USP ~	Lercanidipine Hcl	Phenobarbital Sodium
Butalbital, USP	Letrozole	Pholcodine
Calcitonin (Salmon)	Levmetamfetamine, USP ~	Pioglitazone
Capecitabine	Levosulpiride Prokinetic	Piroxicam Betacyclodextrine
Carbamazepine	Losartan Potassium [#]	Pramipexole Dihydrochloride
Carboplatin [*]	Loteprednol Etabonate	Pregabalin
Carvedilol [*]	Magnesium Valproate	Raloxifene
Cefuroxime Axetil [*]	Meloxicam [#]	Ranolazine
Ciclesonide	Memantine	Repaglinide [,\$]
Cisplatin [*]	Mesalazine [,\$,*]	Risedronate Sodium Hemi Pentahydrate
Citalopram Hbr.	Metadoxine	Risperidone [,\$]
Clomipramine Hcl [*]	Metaxalone	Rivastigmine Tartrate [,\$]
Clonazepam	Metformin Hcl [,\$,*]	Ropinirole
Clopidogrel Bisulfate	Methamphetamine Hydrochloride, USP	Sennoside A+B
Codeine Base	Methenamine ~	Sertraline Hcl [,\$]
Codeine HCl	Methenamine Mandelate ~	Sodium Valproate [,\$,*]
Codeine Phosphate	Methylphenidate Base	Straw (CPS)
Concentrate of Poppy	Methylphenidate Hcl [#]	Sulphate [,\$]
Danazol	Methylphenidate Hydrochloride, USP	Sumatriptan Succinate [,\$]
Darifenacin Hydrobromide	Methamphetamine Hydrochloride, USP (Unmilled) ~	Tadalafil
Desloratadine	Metoprolol Succinate [,\$,*]	Tamsulosin Hcl
Desmopressin Monoacetate	Metoprolol Tartrate [,\$,*]	Temozolamide
Dihydrocodeine	Milnacipran Hcl	Testosterone
Divalproex Sodium	Mirtazapine [,\$,#]	Thebaine
Dobutamine Hcl	Modafinil [,\$,#]	Tiagabine Hcl [,\$]
Donepezil	Mometasone Furoate	Tiotropium Bromide Monohydrate
Dothiepin Hcl [*]	Morphine HCl	Tizanidine Hcl [,\$]
Duloxetine [,\$]	Morphine Sulphate	Topiramate [,\$,#]
Entacapone [,\$]	Naloxone Hcl Dihydrate	Tramadol Hcl [,\$,*]
Epinastine Hcl	Naltrexone Hcl [,\$]	Valproic Acid [,\$]
Eptifibatide	Natriptan Hydrochloride	Venlafaxine Hcl [,\$]
Escitalopram HBr	Nateglinide	Ziprasidone Hcl
Eszopiclone	Noroxymorphone	Zoledronic Acid [,\$]
Ethylmorphine HCl	Noscapine Base	Zolpidem Tartrate [,\$,*]
Exemestane		Zonisamide [,\$]
Fentanyl Base		
Finasteride [,\$]		

\$ USDMF, # EDMF, * COS***, ~ No DMF exists, PN** Producer's Norms

Intermediates available on request for above Active Pharmaceutical Ingredients. All transactions are carried out in conformity with patent laws applicable in the user country. Responsibility with respect to third party's patent rights in a specific country lies exclusively with the buyer.

NEW PRODUCT LIST (INDIA)

Brand name	Use
Supatret	Acne
Winolap	Allergy/ rhinitis
Donamem	Alzheimers'
Exmasin	Anticancer
Lenzest	Anticancer
Octride Depot 10	Anticancer
Carcidox	Anticancer
Tyrogef	Anticancer
Cernos depot	Anticancer, hormone replacement
Milnorm	Antidepressant
Levipil	Antidepressant
Exzilor	Antidepressant
Macorate	Antiepileptic
Lobazam MD	Antiepileptic
Oxetol XR	Antiepileptic
Olmezest AM	Antihypertensive
Prolomet R	Antihypertensive
Olmezest H	Antihypertensive
Nexipride inj	Antipsychotic
Paliris ER	Antipsychotic
Sofalco	Antiulcer
Etirest	Anxiolytic
AB phylline	Asthma
Mondeslor	Asthma
Tamlet	BPH
Camopan	Chronic pancreatitis
Glytears	Dry eye symptoms
Lesuride	Gastric prokinetic
Brimosun LS	Glaucoma
Rifagut	Gut specific antibiotic
Inapure	Herpes simplex
Suminat auto inj	Migraine
Thioact	Muscle relaxant
Miliflox plus	Ocular Antiinfective + Antiinflammatory
Dronis	Oral contraceptive
Lofecam	Pain mgmt
VSL# 3 Caps	Probiotic
Baclofen GRS	Spasticity
Strocit CR	Stroke/ Dementia
Vorizef	Systemic antifungal
Vorizef injection	Systemic antifungal
Darilong	Urology, overactive bladder

R&D, Quality and Internal Control

We are committed to ongoing investment in research and development as a way to differentiate our existing products, while bringing innovative, high-value products to market. Our research and development activities are closely focused on market needs and driven by technological progress.

To this end, we allocate a significant amount of our operating budget to research and development. Historically, we have increased our annual spend from year to year. During 2008-09, total spending increased to Rs. 3,320 million from Rs. 2,990 million in 2007-08 to support current growth projects. This represents 8 % of our total sales.

We have developed the skill set to create a wide range of pharmaceuticals across the value chain from complex APIs to formulations. These projects typically work with a lead time of a few years, and power our growth plans across the world. We have close to 600 scientists working across 2 development centers. So far, 233 patent applications were submitted and 76 patents were granted.

The company continues to file ANDAs to create a strong pipeline in the US. ANDAs for 107 products await approval (this includes 7 tentative approvals) as of March 2009. We endeavour to scale up the pace of filings and the speed to market to give us an edge in this highly competitive market. The teams also develop complex generics for our branded generics business in India and in the non-US international markets. In all, over 42 products

were brought to the Indian market including complex products like Tyrogef (gertifinib) and Tamlet (modified release tamulosin and extended release tolterodine).

As a strong, integrated pharma player, our API business is crucial to our dosage form business. Sustainable growth in API has contributed significantly to the success of the Company. In all, over the years we have developed around 160 speciality APIs and during the year, 30 APIs were scaled up. Out of the 133 DMF and CEP applications filed till now, 81 were approved. We will continue to nurture our API business in the future in order to develop high quality products.

As we strive to develop new technologies and products to create a competitive edge and fuel our growth, the benefits we derive as a result of R&D will only increase in the coming years.



Quality

Maintaining stringent quality control is of paramount importance in the pharma industry. Customers globally are becoming increasingly demanding of high standards. At Sun Pharma, quality has always been accorded extreme importance. While 2008-09 has been a challenging year for us on the quality front, the setbacks we faced has motivated us to attain and reach for even higher standards of quality.

The Company has in place an expert quality team which ensures that our processes and documentation are of global standards. We have successfully gained the following regulatory approvals in recent times:

- US FDA approval for the Ahmednagar plant
- US FDA approval for the Panoli plant
- US FDA and UK MHRA approval for the Dadra plant

- US FDA and UK MHRA approval for the Halol plant
- US FDA approval for our analytical laboratories at SPARC, Baroda
- German approval for the Karkhadi plant

As such, we have one of the strongest pipelines of ANDA products awaiting approval with the US FDA. These new facility approvals will accelerate our plans for the US and Europe markets with a range of products of differing complexity.

Most European authorities and the US FDA require submission of all DMF and ANDA electronically, i.e. no more paper copies. Therefore, the Corporate Quality department has now validated eCTD (electronic Common Technical Document) software and has begun making product applications using this route.



Some of our other initiatives in the area of quality control include frequent in-house training programmes at the shop floor level for basic QC instrument operation and handling and environmental monitoring in the formulation manufacturing area.

During the year, Caraco's facility received a Form 483 followed by a warning letter from the US FDA on quality practices and non-conformance with SOPs for its Detroit plant. Caraco replied to the letter in which it has addressed the issues and has made specific time-bound commitments. Caraco also voluntarily initiated a recall of certain product lots of Digoxin. Quality teams at both Sun Pharma and Caraco are working closely to review procedures and ensure that all systems are in line with the quality standards expected of an approved site.

Internal Control Systems and their Adequacy

Sun Pharma's well defined organizational structure, documented policy guidelines and adequate internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions. Moreover, the Company continuously upgrades these systems in line with the best available practices. The internal control system is supplemented by extensive internal audits, conducted by independent firms of Chartered Accountants so as to cover various operations on a continuous basis.





FORMULATIONS MANUFACTURING

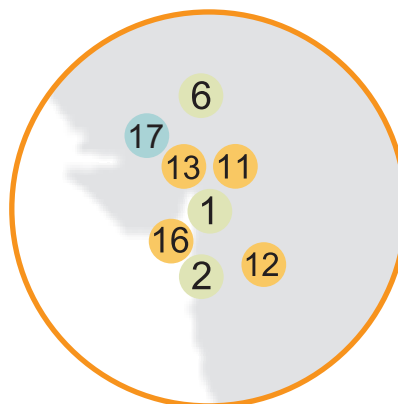
	LOCATION	MARKETS
1	Silvassa	India and emerging markets
2	Dadra	US generic market
3	Cranbury	US generic market
4	Detroit	US generic market
5	Bryan	US generic market
6	Halol	US generic market, India and emerging markets
7	Jammu	India
8	Bangladesh	Bangladesh market
9	Brazil	Brazil & Latam
10	Mexico	Mexico & Latam

API MANUFACTURING

	LOCATION	MARKETS
11	Panoli	Primarily US and Europe API Markets but other markets too
12	Ahmednagar	Primarily US and Europe API markets but other markets too
13	Ankleshwar	Internal use, India, other less regulated markets
14	Maduranthakam	Internal use, India, other less regulated markets
15	Tennessee	US API markets
16	Dadra	India market

**API/FORMULATIONS MANUFACTURING**

LOCATION	MARKETS
17 Karkhadi	India, US
18 Tiszavasvari	Formulations for the European generic market and API for the US market



Financial Snapshot

(Rs. in million)

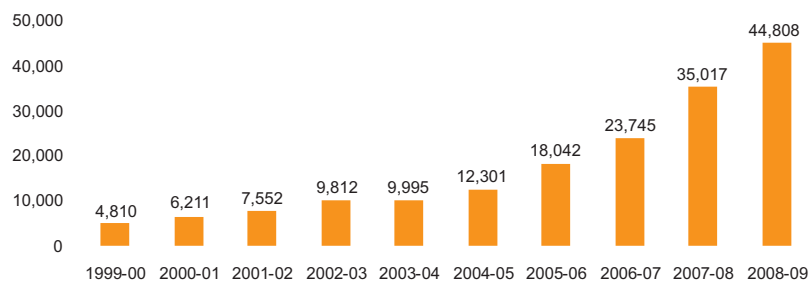
Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Operating Performance										
Income from Operations	4,784	6,148	7,505	9,725	9,847	11,983	17,372	22,373	34,606	43,751
Total Income	4,810	6,211	7,552	9,812	9,995	12,301	18,042	23,745	35,017	44,808
Profit After Tax	907	1,352	1,707	2,444	3,446	4,002	5,730	8,402	15,509	18,780
R&D Expenditure	201	250	336	966	1,268	1,427	2,015	2,787	2,859	3,320
a) Capital	102	71	197	363	598	418	481	347	134	222
b) Revenue	99	179	139	603	670	1,009	1,534	2,440	2,725	3,098
c) % of Turnover	4%	4%	5%	12%	13%	12%	12%	13%	9%	8%
Financial Position										
Equity Share Capital	154	468	468	465	464	928	929	967	1,036	1,036
Reserve and Surplus	2,997	3,859	4,956	5,141	7,540	10,366	14,959	26,747	48,879	69,414
Gross Block	2,312	2,675	3,007	4,033	6,232	7,806	12,342	14,252	15,960	21,476
Net Block	1,699	1,891	2,092	2,682	4,518	5,719	8,563	9,514	10,354	14,625
Investments	501	397	818	38	1,765	6,485	3,541	2,543	6,565	18,595
Net Current Assets	1,803	2,632	2,410	3,725	4,808	16,360	23,006	26,843	33,995	35,485
Stock Information										
Number of Shares	15,422,833	46,756,018	46,774,537	93,048,478	92,755,678	185,511,356	185,731,637	193,402,120	207,116,391	207,116,391
Earnings Per Share										
- Basic (In Rs.)	55.0	27.8	35.6	26.4	35.4	21.3	30.9	41.7	74.7	87.8
Earnings Per Share										
- Diluted (In Rs.)	55.0	27.8	35.6	13.2	17.7	20.7	27.7	38.9	71.8	87.8

Note :

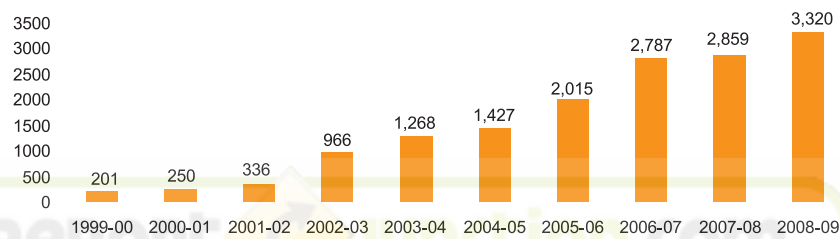
1. The Company started preparing Consolidated Financial Statements from Financial Year 2001-02 onwards.
2. During the financial year 2002-03, each Equity Shares of Rs. 10/- each was split into two Equity Shares of Rs. 5/- each.

Key Performance Indicators

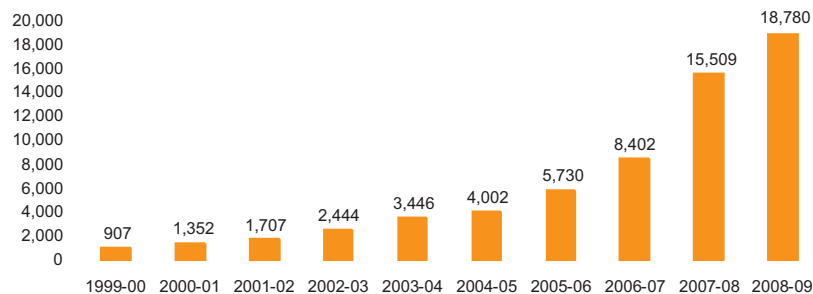
Total Income (Rs. in million)



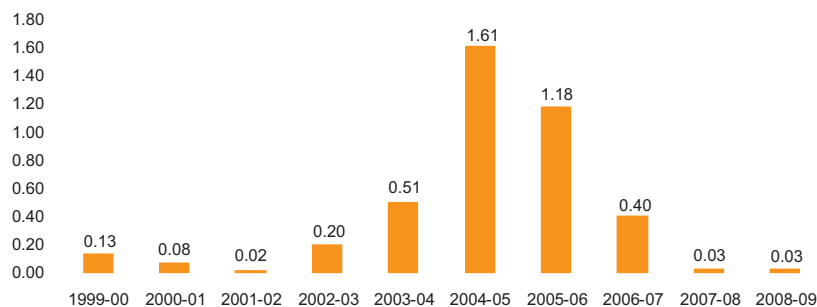
Total R&D Expenditure (Rs. in million)



Profit After Tax (Rs. in million)



Debt Equity Ratio



Directors' Report

Your Directors take pleasure in presenting the Seventeenth Annual Report and Audited Accounts for the year ended 31st March, 2009.

(Rs. in million except book value and dividend per share)

Financial Results	Year ended 31st March, 2009	Year ended 31st March, 2008
Total Income	40437	32767
Profit after tax	12653	10140
Dividend on Preference Shares	0	1
Dividend on Equity Shares	2848	2175
Corporate Dividend tax	484	372
Transfer to various Reserves	4500	3014
Amount of dividend per equity share of Rs. 5 each	13.75	10.50
Book value per equity share of Rs. 5 each	249	203

Dividend

Your Directors are pleased to recommend an equity dividend of Rs. 13.75 per equity share of face value Rs.5/- each (previous year Rs.10.50 per equity share of face value Rs.5/- each) for the year ended 31st March, 2009.

Management Discussion and Analysis

The management discussion and analysis on the operations of the Company is provided in a separate section and forms part of this report.

Human Resources

A committed human capital of over 8000 multi-cultural employees have been pushing boundaries of your aspirational organisation to maximize opportunities across our corporate office, two R&D centres & 19 plants (including associate companies) spread across three continents. The potential and ability to deliver consistently is established by our remarkable team, evident from our consistent growth. The company recognizes the importance and contribution of human capital and therefore appreciates and motivates them to pursue excellence. Focused efforts to develop and nurture human capital through in-house, external professional development programmes and on-job training are used for upgrading technical, marketing and management skills. Performance orientation and ethics are high priority areas. The work environment and career opportunities help retain talent. Your

Directors recognize the team's valuable contribution and place on record their appreciation for Team Sun Pharma.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your Company. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company and others entitled thereto excluding the aforesaid information. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary/Compliance Officer at the Corporate Office or Registered Office address of the Company.

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

The additional information relating to energy conservation, technology absorption, foreign exchange earning and outgo,

pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this Report.

Corporate Governance

Report on Corporate Governance and Certificate dated June 20, 2009 of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, are enclosed.

Consolidated Accounts

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries is annexed to this Report.

Subsidiaries

The Ministry of Corporate Affairs, Government of India, vide order No. 47/447/2009-CL-III dated June 18, 2009



has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said order, is disclosed in the Annual Report. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company and its subsidiaries who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office & Corporate / Head Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

Finance

The banks in consortium continue to offer their highest rating to your Company enabling it to source funds from banks at attractive rates of interest. CRISIL continued to reaffirm their highest rating of "P1+", for your Company's Short Term Borrowing Programme throughout the year. The Company does not offer any Fixed Deposit scheme.

Corporate Social Responsibility (CSR)

Your organization has identified health, education, disaster relief and civic utilities around the plants and research centers as areas where assistance is provided on a need-based and case to case basis.

Directors

Shri Dilip S. Shanghvi and Shri Keki Minoo Mistry retire by rotation and being eligible offer themselves for re-appointment.



Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,

(iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

Auditors

Your Company's auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. Your Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

Acknowledgements

Your Directors wish to thank all stakeholders and business partners, your Company's bankers, financial institutions, medical profession and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board of Directors

Dilip S. Shanghvi
Chairman & Managing Director

June 20, 2009.
Mumbai

Corporate Information

BOARD OF DIRECTORS

Mr. Dilip S. Shanghvi
Chairman & Managing Director

Mr. Sudhir V. Valia
Wholetime Director

Mr. Sailesh T. Desai
Wholetime Director

Mr. S. Mohanchand Dadha
Director

Mr. Hasmukh S. Shah
Director

Mr. Keki M. Mistry
Director

Mr. Ashwin Dani
Director

COMPANY SECRETARY

Mr. Kamlesh H. Shah
Email:secretarial@sunpharma.com

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants, Mumbai

BANKERS

Bank of Baroda
Bank of Nova Scotia
Citibank N.A.
ICICI Bank Ltd
Kotak Mahindra Bank Ltd
Standard Chartered Bank
State Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
(Formerly Intime Spectrum Registry Ltd.)
C/13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (West),
Mumbai-400 078.
Tel: (022) 25963838
Fax: (022) 25946969
E-mail: sunpharma@linkintime.co.in
rnt.helpdesk@linkintime.co.in

ADDITIONAL COLLECTION CENTRE

201, Daver House, 197/199,
Dr. D. N. Road,
Mumbai - 400 001.
Tel: (022) 22694127

PLANTS

Plot No. 214 & 20, Govt. Industrial Area,
Phase II, Piparia, Silvassa - 396 230,
Gujarat.

Halol-Baroda Highway,
Near Anand Kendra, Halol,
Dist. Panchmahal - 388 380, Gujarat.

Plot No. 25 & 24 / 2, GIDC, Phase-IV,
Panoli - 395 116, Dist. Bharuch, Gujarat.

A-7 & A-8, MIDC Ind. Area,
Ahmednagar - 414 111, Maharashtra.

Plot No. 4708, GIDC,
Ankleshwar - 393 002, Gujarat.

Sathammai Village, Karunkuzi Post,
Maduranthakam TK, Kanchipuram
District, Tamil Nadu - 603 303.

Plot No. 223, Span Industrial Complex,
Dadra - 396 191 (U.T. of D. & NH).

Plot No. 817/A, Karkhadi, Taluka Padra,
Dist. Vadodara - 391 450, Gujarat.

Sun Pharmaceutical Industries *
Survey No. 259/15, Dadra - 396 191
(U.T. of D. & NH).

Sun Pharmaceutical Industries *
6-9 Export Promotion
Industrial Park (EPIP), Kartholi,
Bari Brahmana, Jammu - 181 133.

Sun Pharmaceutical Industries Inc.
705, E. Mulberry Street, Bryan,
Ohio - 43506, USA.

Sun Pharmaceutical Industries Inc.
270 Prospect Plains Road, Cranbury,
New Jersey - 08512, USA.

Caraco Pharmaceutical Laboratories Ltd.
1150 Elijah McCoy Drive,
Detroit - 48202, Michigan, USA.

Sun Pharmaceutical (Bangladesh) Ltd.
Chandana, Joydevpur, Gazipur,
Bangladesh.

Alkaloida Chemical Company
Exclusive Group Ltd.
H-4440 Tiszavasvari, Kabay,
Janos 4.29, Hungary.

TKS Farmaceutica
Rodovia GO-080, Km 02,
Jardim Pompeia, Goiania/GO
Brazil CEP: 74690-170.

Sun Pharma de Mexico S.A. de C.V
Av. Rio Churubusco No. 658,
Col. El Sifón, Del. Iztapalapa,
C.P 09400 Mexico, Distrito Federal.

Chattem Chemicals, Inc. 3708,
St. Elmo Avenue,
Chattanooga, TN 37409.

OFFICES

Registered

Sun Pharma Advanced Research Centre,
(SPARC), Tandalja,
Vadodara - 390 020, Gujarat, India.

Corporate

Acme Plaza, Andheri Kurla Road,
Andheri (East), Mumbai - 400 059,
Maharashtra, India.

RESEARCH CENTRES

Sun Pharma Advanced Research
Centre (SPARC), Akota Road,
Akota, Vadodara - 390 020, Gujarat, India.

F.P.27, Part Survey No. 27, C.S. No. 1050,
TPS No. 24, Village Tandalja,
District Vadodara - 390 020, Gujarat, India.

17-B, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East), Mumbai - 400 093,
Maharashtra, India.

* With partnership firm Sun Pharmaceutical Industries.

**ANNEXURE (1) TO DIRECTORS' REPORT****CONSERVATION OF ENERGY**

	<u>2008-09</u>	<u>2007-08</u>
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (in '000 KWH)	48,104	41,412
Total Amount (Rs. in Millions)	260.0	197.0
Rate (Rs./Unit)	5.4	4.7
(b) Own Generation through Diesel Generator		
Units (in '000 KWH)	2,421	1,060
Units per Litre of Diesel Oil	3.2	3.0
Cost (Rs./Unit)	11.6	11.4
(c) Own Generation through Gas		
Units (in '000 KWH)	13,059	15,132
Units per M3 of Gas	3.8	3.8
Cost (Rs./Unit)	5.1	5.1
2. Furnace Oil		
Quantity (in '000 Litres)	5,223	4,623
Total Amount (Rs. in Millions)	130.6	103.8
Average Rate	25.0	22.5
3. Gas (for Steam)		
Gas Units (in '000 M3)	3,661	3,756
Total Amount (Rs. in Millions)	38.6	41.1
Average Rate (Rs./Unit)	10.5	11.0

B. Consumption per unit of production

It is not feasible to maintain product category-wise energy consumption data, since we manufacture a large range of formulations and bulk drugs having different energy requirements.

C. Energy conservation measures

- 1 Improvisation and continuous monitoring of Power Factor and replacement of weak capacitors by conducting periodical checking of capacitors. We have been able to maintain the Power Factor near to unity (above 0.99) and thereby availing the rebate in electricity charges.
- 2 Alternative energy sources like Gas & steam have been used in place of electricity for heating of De-mineralized water, fluid bed dryers for producing hot air systems for coating department and for making starch paste and for drying of Bulk Drugs in tray dryers. Steam from solvent recovery plant condensate recovery of steam diverted to Boiler Feed water / hot water tank.
- 3 Installation of Lighting Transformer for lighting circuit.
- 4 Installation of Cogeneration Power Plants at various locations to generate electricity and use waste heat from power plant to achieve overall best efficiency of electricity generation.
- 5 Usage of renewable carbon nil green fuels in place of fossils fuels in boilers.
- 6 Using refrigerated type air dryer instead of desiccant type to reduce air losses.
- 7 Replaced LRP insulation to Puff insulation in all chilled water and brine pipe lines and improved chilling efficiency.
- 8 In ETP , High pressure steam line was stopped in MSR area and given low pressure steam line and reduced steam consumption by more than 11 % than earlier year.



TECHNOLOGY ABSORPTION

A. Research and Development

1. Specific areas in which R&D is carried out by the Company

We continue to be one of the most aggressive investors and developers of pharmaceutical research and technology in the country, with research programs to support our generic business pursued at our state of the art R&D centres. Our expert scientist team is engaged in complex developmental research projects in process chemistry and dosage forms, including complex generics based on drug delivery systems at these research centres. The research activity supports the short, medium and long term business needs of the company.

Projects in formulation development and process chemistry help us introduce a large number of new and novel products to the Indian market including products with complexity or a technology edge. This helps us maintain our leadership position in the Indian market with specialty formulations and derive market and cost advantage from API's developed and scaled up In-house. Further, it helps us to compete in the international regulated markets across US / Europe.

The team also works on projects involving complex drug delivery systems for India Complex API like steroids, sex hormones, peptides, carbohydrates and taxanes which require special skills and technology, are developed and scaled up for both API and dosage forms. This complete integration for some products works to the company's advantage. These projects may offer higher value addition and sustained revenue streams.

2. Benefits derived as a result of the above R&D

In 2008-09, more than 40 formulations were introduced across marketing divisions, (not including line extensions). All of these were based on technology developed in house. Technology for more than 30 API was commercialised. For some of the important API that we already manufacture, technology was refined so as to have more energy efficient or cost effective or environment friendly processes. A large part of our API sales is to the regulated market of US / Europe, and this earns valuable foreign exchange and also a reputation for quality and dependability. The company's formulation brands are exported to 30 international markets where a local field force promotes the same.

The Department of Scientific and Industrial Research, Ministry of Science and Technology of Government of India has granted approval to the in house research and development facility of your Company under the provision of the Income Tax Act, 1961.

3. Future plan of action

A state of the art bioequivalence facility with a functional capacity of 220 beds with a well equipped, Phase 1 Clinical unit and ECG Core Laboratory for clinical studies and safety studies and the same is being expanded to more than 300 beds. Eighteen high capacity LCMS, fully computerised blood chemistry labs capable of comprehensive analysis have been in place for a year.

**4. Expenditure on R&D**

	Year ended 31st March, 2009	Year ended 31st March, 2008
	Rs in Million	Rs in Million
a) Capital	221.7	133.5
b) Revenue	1289.3	1310.4
c) Total	1511.0	1443.9
d) Total R&D expenditure as % of Total Turnover	6.4%	6.1%

B. Technology Absorption, Adaptation and Innovation**1. Efforts in brief, made towards technology absorption, adaptation and innovation**

Year after year, Company continues to invest on R&D revenue as well as capex and a large part of the spend is for complex products, ANDA filings for the US, and API technologies that are complex and require dedicated manufacturing sites. Investments have been made in creating research sites, employing scientifically skilled manpower, adding equipment and upgrading continuously the exposure and research understanding of the scientific team in the therapy areas of our interest.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution

- (a) Market leader for several complex products, offers complete baskets of products under the broad spectrum of therapeutic classes. Strong pipeline of products for future introduction in India as well as in the US generic market.
- (b) Not dependent on imported technology, can make high cost products available at competitive prices by using indigenously developed manufacturing processes and formulation technologies.
- (c) Offer products which are convenient and safe for administration to patients, products with a technology advantage.
- (d) We are among the few selected companies that have set up completely integrated manufacturing capability for the production of anticancer, hormones, peptide, cephalosporins and steroidal drugs.
- (e) The Company has benefited from reduction in cost due to import substitution and increased revenue through higher exports.

3. Your company has not imported technology during the last 5 years reckoned from the beginning of the financial year.**C. Foreign Exchange Earnings and Outgo**

	Year ended 31st March, 2009	Year ended 31st March, 2008
	Rs in Million	Rs in Million
1. Earnings	8281.1	8157.2
2. Outgo	4258.9	3735.2



Auditors' Report to the Members of Sun Pharmaceutical Industries Limited

1. We have audited the attached Balance Sheet of Sun Pharmaceutical Industries Limited (the Company) as at March 31, 2009, and also the Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Para 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
Partner

Place: Mumbai
Date : May 30, 2009

(Membership No. 038568)



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Sun Pharmaceutical Industries Limited

1. In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year is such that clauses xiii, xiv, xviii, xix and xx of paragraph 4 of the Companies (Auditors' Report) Order, 2003, are not applicable to the Company.
2. In respect of its fixed assets:
 - (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (ii) As explained to us, some of the fixed assets of the Company have been physically verified during the year by the management in accordance with a phased program of verification designed to cover all assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - (iii) Although some of the fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the company to continue as a going concern is not affected.
3. In respect of its inventories:
 - (i) As explained to us, inventories (excluding inventories lying with third parties) were physically verified by the management at reasonable intervals during the year. In respect of inventories lying with third parties, these have substantially been confirmed by them. In our opinion the frequency of verification is reasonable.
 - (ii) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (iii) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company had not granted or taken any loan, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control systems.
6. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (i) The particulars of contract or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - (ii) Where each such transaction (excluding loans reported under paragraph 4 above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regards to the specialized nature of some of the transactions of the company.
7. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. No Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.



8. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
9. We have broadly reviewed the books of accounts and records maintained by the Company relating to manufacture of formulation and bulk drug products pursuant to the Order made by the Central Government for maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
10. According to the information and explanations given to us in respect of statutory dues:
- the Company has been regular in depositing undisputed statutory dues, including, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities during the year. There were no undisputed dues that were outstanding as at March 31, 2009 for a period of more than six months from the date they became payable.
 - According to the information and explanations given to us, the details of disputed sales tax, income tax, service tax, custom duty and excise duty, which have not been deposited as at March 31, 2009 on account of any dispute, are as under:

Statute & Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount Rs. in Million
The Central Excise Act			
Excise Duty, Interest & Penalty	2002-03, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09	Commissioner	44.4
	1997-98, 1998-99, 1999-00, 2000-01, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08	Tribunal	187.3
	1998-99	High Court	0.1
	2001-02	Supreme Court	0.2
Customs Act, 1962			
Custom Duty, Penalty & Interest	2000-01	Settlement Commission	10.7
Sales Tax Act			
Sales Tax, Interest and Penalty	1994-95, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04	Assistant / Deputy / Joint Commissioner	6.0
	1988-89 to 1991-92, 1997-98, 1999-00, 2001-02	Tribunal	4.4
	1981-82 to 1985-86	High Court	0.7
Income Tax Act			
Income tax and Interest	1995-96, 2003-04	Tribunal	0.9
	2003-04	Commissioner	6.6
Service Tax			
Service tax	2005-06	Commissioner	1.9
ESI Act			
Contribution and Interest	1987 to 1992	Appellate authority	0.2
DPCO			
DPEA and interest	1981-1987	DPLRC	14.0

There were no unpaid disputed dues in respect of wealth tax and cess during the year.



11. In our opinion and according to information and explanations given to us, the company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
12. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to financial institutions and banks. The Company has not obtained any borrowings by way of debentures.
13. In our opinion, the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares. The Company has not granted any loans and advances on the basis of security by way of pledge of debentures and other securities.
14. In our opinion and according to the information and explanation given to us, the terms and conditions of the guarantees given by the Company for loan taken by others from banks and financial institutions, are not prima facie prejudicial to the interest of the Company.
15. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained other than temporary deployment pending application.
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the funds raised on short term basis have, prima facie, not been used during the year for long term investment.
17. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.



For **Deloitte Haskins & Sells**
Chartered Accountants

Place: Mumbai
Date : May 30, 2009

K. A. Katki
Partner
(Membership No. 038568)



BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedules	As at 31st March, 2009		As at 31st March, 2008	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,035.6		1,035.6	
Reserves and Surplus	2	50,478.6	51,514.2	41,040.6	42,076.2
Loan Funds					
Secured Loans	3	236.0		228.8	
Unsecured Loans	4	—	236.0	796.4	1,025.2
Deferred Tax Liability (Net)	5		1,174.2		1,129.4
TOTAL			52,924.4		44,230.8

APPLICATION OF FUNDS

Fixed Assets					
Gross Block	6	10,619.0		9,350.3	
Less: Depreciation / Amortisation / Impairment		3,626.4		3,049.9	
Net Block		6,992.6		6,300.4	
Capital Work-in-Progress (including advances on capital account)		759.5	7,752.1	334.3	6,634.7
Investments	7		26,945.9		19,431.2
Current Assets, Loans and Advances					
Inventories	8	4,867.4		3,896.3	
Sundry Debtors	9	6,800.3		10,554.4	
Cash and Bank Balances	10	12,654.7		9,728.7	
Other Current Assets	11	381.3		257.8	
Loans and Advances	12	2,674.6		3,618.7	
		27,378.3		28,055.9	
Less: Current Liabilities and Provisions	13				
Current Liabilities		5,730.9		7,263.1	
Provisions		3,421.0		2,627.9	
		9,151.9		9,891.0	
Net Current Assets			18,226.4		18,164.9
TOTAL			52,924.4		44,230.8

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS 21

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. KATKI
Partner

KAMLESH H. SHAH
Company Secretary

Mumbai, 30th May, 2009

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 30th May, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Schedules	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
INCOME			
Income from Operations			
Gross Sales		28,336.5	24,273.5
Less: Excise Duty		639.0	617.1
Net Sales		27,697.5	23,656.4
Other Operating Income	14	10,918.0	7,834.1
		38,615.5	31,490.5
Other Income	15	1,821.2	1,276.2
		40,436.7	32,766.7
EXPENDITURE			
Cost of Materials / Goods	16	19,098.8	15,267.4
Indirect Taxes	17	817.2	648.7
Personnel Cost	18	1,483.1	1,202.0
Operating and Other Expenses	19	4,205.6	3,255.1
Research and Development Expenditure	20	1,289.3	1,310.4
Depreciation / Amortisation / Impairment		588.6	561.1
		27,482.6	22,244.7
PROFIT BEFORE TAXATION		12,954.1	10,522.0
Provision for Taxation - Current Tax		241.0	330.9
- Deferred Tax		44.8	36.2
- Fringe Benefit Tax		15.4	14.5
PROFIT AFTER TAX		12,652.9	10,140.4
BALANCE OF PROFIT BROUGHT FORWARD		11,287.9	6,708.4
AMOUNT AVAILABLE FOR APPROPRIATION		23,940.8	16,848.8
APPROPRIATIONS			
Proposed Dividend			
Equity Shares		2,847.9	2,174.7
Dividend on Preference Shares		—	0.5
Corporate Dividend Tax		484.0	372.0
Proposed Dividend and Dividend distribution tax written back		(117.0)	—
		3,214.9	2,547.2
Transfer to General Reserve		4,500.0	3,000.0
Transfer to Capital Redemption Reserve on Redemption of Preference Capital		—	13.7
		4,500.0	3,013.7
BALANCE OF PROFIT CARRIED TO BALANCE SHEET		16,225.9	11,287.9
EARNINGS PER SHARE -(refer note B.12 (ii) of Schedule 21)			
Basic (Rs.)		61.1	50.9
Diluted (Rs.)		61.1	49.0
Face Value per Equity share - Rs.5			

SIGNIFICANT ACCOUNTING POLICIES AND**NOTES TO THE FINANCIAL STATEMENTS 21**

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants**K. A. KATKI**
Partner

Mumbai, 30th May, 2009

KAMLESH H. SHAH
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director**SUDHIR V. VALIA**
Wholetime Director**SAILESH T. DESAI**
Wholetime Director

Mumbai, 30th May, 2009



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
A. Cash Flow From Operating Activities:		
Net Profit Before Tax	12,954.0	10,522.0
Adjustments for:		
Depreciation / Amortisation / Impairment	588.5	561.1
Interest Expense	27.7	50.6
Interest Income	(1,187.3)	(1,119.6)
Dividend Income Rs.13,300 (Previous Year Rs. 13,300)	(0.0)	(0.0)
(Profit) / Loss On Fixed Assets Sold (net)	5.6	1.0
(Profit) / Loss on sale of Investments	(263.7)	(129.5)
Bad Debt Written off / back (net)	9.5	26.4
Sundry Balance Written off / back (net)	22.1	(12.2)
Provision for employee benefits	5.9	6.4
Unrealised Foreign Exchange (Gain) / Loss	(621.8)	418.7
Operating Profit Before Working Capital Changes	11,540.5	10,324.9
Adjustments for Changes In Working Capital :		
Decrease / (Increase) in Sundry Debtors	3,074.8	(4,897.5)
Decrease / (Increase) in Other Receivables	534.6	(804.9)
Increase in Inventories	(971.1)	(562.5)
Increase/(Decrease) in Trade and Other Payables	(1,562.8)	2,665.5
Cash Generated From Operations	12,616.0	6,725.5
Taxes Paid (Net of TDS and Refund)	8.9	(464.2)
Net Cash Generated From Operating Activities	12,624.9	6,261.3
B. Cash Flow From Investing Activities:		
Purchase of Fixed Assets / Capital Work in Progress / Capital Advances	(1,739.9)	(991.6)
Proceeds From Sale of Fixed Assets	47.6	2.1
Proceeds From Sale of Investments	56,828.3	29,934.3
Purchase of Investments	(62,945.1)	(37,665.5)
Amount paid pursuant to demerger	—	(244.9)
Loans/Inter Corporate Deposits Received back / (given) (net)	360.5	486.7
Interest Received	844.9	1,044.0
Dividend Received Rs.13,300 (Previous Year Rs. 13,300)	0.0	0.0
Net Cash Used in Investing Activities	(6,603.7)	(7,434.9)
C. Cash Flow From Financing Activities:		
Repayment of ECB Loan	(796.4)	—
Redemption of Preference Share Capital	—	(13.7)
(Repayment to) / Borrowing from Bank (Net)	7.2	24.9
Interest Paid	(45.3)	(53.8)
Dividend Paid	(2,069.6)	(15.6)
Corporate Dividend Tax Paid	(352.6)	(2.4)
Net Cash used in Financing Activities	(3,256.7)	(60.6)
Net Increase / (Decrease) In Cash and Cash Equivalents	2,764.5	(1,234.2)
Cash and Cash Equivalents as at the beginning of the year	9,773.1	11,007.3
Cash and Cash Equivalents as at the year end	12,537.6	9,773.1



	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
Cash and Cash Equivalents Comprise:		
Cash and Cheques on hand and balances with Scheduled / Other banks (Refer Schedule 10 to the Financial Statements)	12,654.7	9,728.7
Unrealised exchange (Gain) / Loss	(117.1)	44.4
Cash and Cash equivalents at the end of the year	12,537.6	9,773.1

Notes:

- 1 Cash and cash equivalents includes Rs.18.6 Million (Previous Year Rs.13.8 Million) on account of Unclaimed dividend, which are not available for use by the Company.
- 2 During the year, Investment of Rs 858.4 Million (Previous Year Rs.Nil), has been assigned in favour of the company in satisfaction of receivables and being a non cash transaction has been excluded from the cash flow statement.
- 3 Previous year's figures are regrouped / reclassified wherever necessary in order to confirm to current year's groupings and classifications.

As per our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. KATKI
Partner

Mumbai, 30th May, 2009

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 30th May, 2009

KAMLESH H. SHAH
Company Secretary



SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2009 Rs in Million	As at 31st March, 2008 Rs in Million
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
300,000,000 (Previous Year 295,000,000) Equity Shares of Rs. 5 each	1,500.0	1,475.0
Nil (Previous Year 25,000,000) Preference Shares of Re.1 each (refer note B.18 of Schedule 21)	—	25.0
	<u>1,500.0</u>	<u>1,500.0</u>
Issued, Subscribed and Paid Up		
207,116,391 (Previous Year 207,116,391) Equity Shares of Rs. 5 each	1,035.6	1,035.6
	<u>1,035.6</u>	<u>1,035.6</u>

Notes:

Of the above :

- 1) 161,630,010 Equity shares were allotted as fully paid Bonus Shares by capitalisation of Securities Premium Account, Profit and Loss Account, Amalgamation Reserve and Capital Redemption Reserve Account, without payment being received in cash.
- 2) 413,633; 208,000; 477,581; 11,438; 18,519 and 19,771 Equity Shares of Rs.10 and 4274 Equity Shares of Rs. 5 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd, M.J.Pharmaceuticals Ltd and Phlox Pharmaceuticals Ltd. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.
- 3) 187,177,232 6% Cumulative Redeemable Preference Shares of Re.1 each allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. During the year Nil (Previous Year 13,740,030) Preference shares were redeemed at par. With this all Preference Shares stands fully redeemed.
- 4) 21,600,761 Equity Shares of Rs. 5 each were allotted to the holders of Zero Coupon Foreign Currency Convertible Bond on exercise of conversion option.

	As at 31st March, 2009 Rs in Million	As at 31st March, 2009 Rs in Million	As at 31st March, 2008 Rs in Million	As at 31st March, 2008 Rs in Million
SCHEDULE 2 : RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet		259.1		259.1
Securities Premium Account				
As per last Balance Sheet	15,099.1		5,165.9	
Add : Received during the year	—	15,099.1	9,933.2	15,099.1
	<u>15,099.1</u>		<u>15,099.1</u>	
Capital Redemption Reserve				
As per last Balance Sheet	154.5		140.8	
Add : Transferred from Profit and Loss Account	—	154.5	13.7	154.5
	<u>154.5</u>		<u>154.5</u>	
General Reserve				
As per last Balance Sheet	14,240.0		11,240.0	
Add : Transferred from Profit and Loss Account	4,500.0	18,740.0	3,000.0	14,240.0
	<u>18,740.0</u>		<u>14,240.0</u>	
Surplus As Per Profit And Loss Account		16,225.9		11,287.9
		<u>16,225.9</u>		<u>11,287.9</u>
		<u>50,478.6</u>		<u>41,040.6</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS****As at 31st March, 2009**
Rs in Million**As at 31st March, 2008**
Rs in Million**SCHEDULE 3 : SECURED LOANS**

Short Term Loan from Banks	236.0	228.8
(Secured by hypothecation of inventories and book debts.)		
	236.0	228.8

SCHEDULE 4 : UNSECURED LOANS**Long Term**

External Commercial Borrowings in foreign currency from Banks *	—	796.4
---	---	-------

* includes repayable within one year Rs. Nil (Previous Year Rs. 796.4 Million)

SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)

Deferred Tax Assets

Unpaid Liabilities Allowable on payment basis U/s 43B of

Income Tax Act, 1961

Others

33.4

30.6

24.9

34.2

58.3

64.8

Deferred Tax Liability

Depreciation on Fixed Assets

1,232.5

1,194.2

1,174.2

1,129.4

SCHEDULE 6 : FIXED ASSETS**Rs in Million**

Particulars	Gross Block (At Cost)				Depreciation / Amortisation / Impairment				Net Block	
	As At 01.04.08	Additions 08-09	Deletions 08-09	As at 31.03.09	As at 01.04.08	For year 08-09	Written back/ Deleted 08-09	As at 31.03.09	As at 31.03.09	As at 31.03.08
I. TANGIBLE ASSETS										
Freehold Land	23.9	14.8	—	38.7	—	—	—	—	38.7	23.9
Leasehold Land	39.2	—	—	39.2	3.2	0.4	—	3.6	35.6	36.0
Buildings	1,993.0	149.3	1.8	2,140.5@	326.6	53.3	0.3	379.6	1,760.9	1,666.4
Plant and Machinery	6,531.7	1,075.5	43.9	7,563.3	2,325.2©	484.1	1.6	2,807.7	4,755.6	4,206.5
Vehicles	100.5	56.5	19.6	137.4	38.5	12.4	10.2	40.7	96.7	62.0
Furniture and Fixtures	217.4	37.9	—	255.3	81.9	14.3	—	96.2	159.1	135.5
Sub-Total	8,905.7	1,334.0	65.3	10,174.4	2,775.4	564.5	12.1	3,327.8	6,846.6	6,130.3
II. INTANGIBLE ASSETS										
Trademarks, Designs and Other Intangible Assets	444.6	—	—	444.6	274.5	24.1	—	298.6	146.0	170.1
Sub-Total	444.6	—	—	444.6	274.5	24.1	—	298.6	146.0	170.1
TOTAL-I + II	9,350.3	1,334.0	65.3	10,619.0	3,049.9	588.6	12.1	3,626.4	6,992.6	6,300.4
Previous Year	8,387.0	971.7	8.4	9,350.3	2,494.1	561.1	5.3	3,049.9	6,300.4	
Capital Work-in-Progress (including advances on capital account)									759.5	334.3
									7,752.1	6,634.7

NOTES :

@ Buildings include Rs. 8,620 (Previous Year Rs 8,620) towards cost of shares in a Co-operative Housing Society.

© Includes Rs. 13.5 Million on account of Impairment.



SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2009 Rs in Million	As at 31st March, 2008 Rs in Million
SCHEDULE 7 : INVESTMENTS		
(I) LONG TERM INVESTMENTS (At Cost)		
A) Government Securities		
National Savings Certificates	0.0	0.1
Rs. 15,000 (Previous Year Rs. 65,000)		
(Deposited with Government Authorities)		
B) Trade Investments		
Unquoted		
In Equity Shares		
Enviro Infrastructure Co. Ltd.	1.0	1.0
100,000 (Previous Year 100,000)		
Shares of Rs.10 each fully paid up.		
C) Other Investments		
a) In Bonds		
Quoted		
US64 Bonds	—	42.2
Nil (Previous Year 399,734)		
Units of Rs. 100 each		
Market Value Rs. Nil (Previous Year Rs 40.2 Million)		
Unquoted		
National Housing Bank Bonds	21.8	21.8
2,180 (Previous Year 2,180)		
Units of Rs. 10,000 each fully paid		
Rural Electrification Corporation Ltd Bonds	5.0	9.9
500 (Previous Year 985)		
Units of Rs.10,000 each fully paid		
Barclays Investments & Loans (India)	250.0	—
250 (Previous Year Nil)		
Units of Rs.1,000,000 each fully paid		
HDFC Bank Ltd.	250.0	—
250 (Previous Year Nil)		
Units of Rs.1,000,000 each fully paid		
Deutsche Bank Ag , London	1,271.3	995.5
2,500,000 (Previous Year 2,500,000)		
notes of USD 100 each		
(refer note B.17 of Schedule 21)		
b) In Subsidiary Companies		
Quoted		
Caraco Pharmaceutical Laboratories Ltd.USA	303.9	303.9
8,382,666 (Previous Year 8,382,666)		
fully paid Common Shares of No Par Value		
Market Value Rs.1,500.4 Million		
(Previous Year Rs. 5,991.7 Million)		

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
Unquoted				
Zao Sun Pharma Industries Ltd. Russia 1,000 (Previous Year 1,000) Shares of Rubles 20 each fully paid	0.2		0.2	
Sun Pharma Global Inc. BVI 1,224,560 (Previous Year 1,224,560) Shares of US \$ 1 each fully paid	5,065.4		5,065.4	
Sun Pharma Global Inc. BVI 500,000 (Previous Year 1,000,000) 0% Optionally Fully Convertible Debentures of US\$100 each fully paid	2,249.3		4,481.4	
Sun Farmaceutica Ltda, Brazil 829,288 (Previous Year 336,538) quota of Capital Stock of Real (R\$) 1 each fully paid.	18.3		5.2	
Sun Pharma De Mexico, S.A. DE C.V. 750 (Previous Year 750) Common Shares of no Face Value	3.3		3.3	
Sun Pharmaceutical Industries Inc. 5,000 (Previous Year 5,000) fully paid Common Stock of \$ 1 Par Value	0.2		0.2	
Sun Pharmaceutical (Bangladesh) Ltd. 434,469 (Previous Year 434,469) Ordinary Shares of 100 Takas each fully paid.	36.5		36.5	
Share Application Money	31.6		31.6	
Sun Pharmaceutical Peru S.A.C. (Rs. 21,734 (Previous Year Rs.21,734)) 149 (Previous Year 149) Ordinary Shares of Soles 10 each fully paid	0.0		0.0	
SPIL DE Mexico SA DE CV 100 (Previous Year 100) Nominative and free Shares of \$500 Mexican Pesos each fully paid	0.2		0.2	
OOO "Sun Pharmaceutical Industries" Ltd. Par value stock of 49,500 Rubles (Previous Year 49,500 Rubles)	0.1		0.1	
		7,405.1		9,624.1
c) In Capital of Partnership Firm				
Sun Pharma Exports*	4.4		3.7	
Sun Pharmaceutical Industries**	9,358.8		7,411.9	
Sun Pharma - Sikkim***	86.1	9,449.3	—	7,415.6
d) In Equity Shares				
Ramin Developers Pvt Ltd Nil (Previous Year 200) Equity Shares of Rs.100 each fully paid (pending registration)		—		2.1
e) In Mutual Fund (Units of Face Value of Rs. 10 Each)				
Unquoted				
DBS Cholamandalam Asset Management-C296 DBS Chola FMP Series 9 (13Months Plan)-Institutional-Cumulative 20,000,000 (Previous Year Nil) Units	200.0		—	
HDFC Mutual Fund-HDFC FMP 370D June 2008(VIII)(2)- Wholesale Growth 25,000,000 (Previous Year Nil) Units	250.0		—	
Lotus Mutual Fund- Z411G FMP-16 Month-Series I-Ins-Growth Nil (Previous Year 5,000,000) Units	—		50.0	
UTI-Fixed Term Income Fund Series V-I (13 Months)- Institutional Growth Plan 50,000,000 (Previous Year Nil) Units	500.0		—	
Total (I)		19,907.4		18,466.2



SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
(II) CURRENT INVESTMENTS (At lower of cost and Net realisable value)				
Unquoted				
In Mutual Fund (Units of Face Value of Rs. 10 Each)				
Birla Sun Life Mutual Fund - Birla Cash Plus-Instl.Prem-Growth		1,500.0		465.0
106,657,565 (Previous Year 36,008,549) Units				
Deutsche Mutual Fund-DWS Insta Cash Plus Fund Super Instl-Growth		1,000.0		500.0
87,592,520 (Previous Year 47,733,152) Units				
Deutsche Mutual Fund - DWS FTF - Series 51 - IP - Growth		211.2		—
20,000,000 (Previous Year Nil) Units				
UTI Mutual Fund-UTI FTIF - Series IV - Plan 10 - IP - Growth		270.1		—
25,000,000 (Previous Year Nil) Units				
Reliance Mutual Fund-Reliance FHF 9 - Series 6 - IP - Growth		215.4		—
20,000,000 (Previous Year Nil) Units				
Sundaram BNP Paribas Mutual Fund-Sundaram BNP Paribas FTP		161.7		—
- Plan H (13 Months) - IP - Growth 15,000,000				
(Previous Year Nil) Units				
Fidelity International -Fidelity Ultra Short Term Debt Fund		150.0		—
Super Instl-Growth 13,220,012 (Previous Year Nil) Units				
ICICI Prudential Mutual Fund-311SG ICICI Prudential Institutional		1,000.0		—
Liquid Plan Super Institutional Growth 77,001,263				
(Previous Year Nil) Units				
DBS Cholamandalam Asset Management-C122		500.1		—
DBS Chola Freedom Income STP-Inst-Cum-Org				
35,415,651 (Previous Year Nil) Units				
Religare Mutual Fund-Religare Liquid Fund-Super Institutional Growth		500.0		—
41,370,523 (Previous Year Nil) Units				
HDFC Mutual Fund-3017/HDFC Liquid Fund-Premium Plus Plan-Growth		1,030.0		—
58,322,575 (Previous Year Nil) Units				
SBI Mutual Fund-L031SBI-Magnum Insta Cash Fund-Cash Option		500.0		—
25,454,490 (Previous Year Nil) Units				
Total (II)		7,038.5		965.0
Total (I+II)		26,945.9		19,431.2

		As at 31st March, 2009		As at 31st March, 2008	
AGGREGATE VALUE OF INVESTMENT		Book Value	Market Value	Book Value	Market Value
Quoted		303.9	1,500.4	346.1	6,031.9
Unquoted		26,642.0		19,085.1	
*Partners	Share		Capital		Capital
Sun Pharmaceutical Industries Limited.	80%		4.4		3.7
Solapur Organics Private Limited.					
Rs (81) (Previous Year Rs 19)	10%		0.0		0.0
Dilip S. Shanghvi					
Rs 619 (Previous Year Rs 719)	10%		0.0		0.0
**Partners	Share		Capital		Capital
Sun Pharmaceutical Industries Limited.	97.5%		9,358.8		7,411.9
Sun Pharmaceutical Industries					
Key Employees' Benefit Trust	2.5%		71.1		410.7

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
***Partners	Share	Capital		Capital
Sun Pharmaceutical Industries Limited.	97.5%	86.1		—
Sun Pharmaceutical Industries				
Key Employees' Benefit Trust				
Rs (913) (Previous Year Nil)	2.0%	0.0		—
Sun Pharma Advanced Research				
Company Limited Key Employees'				
Benefit Trust Rs (228) (Previous Year Nil)	0.5%	0.0		—

SCHEDULE 8 : INVENTORIES

Consumables Stores		133.5		131.6
Stock in Trade				
Raw Materials	2,056.7		1,489.2	
Packing Materials	355.2		191.3	
Finished Goods	964.9		805.4	
Work-in-Progress	1,357.1	4,733.9	1,278.8	3,764.7
		<u>4,867.4</u>		<u>3,896.3</u>

SCHEDULE 9 : SUNDRY DEBTORS

(Unsecured-Considered Good, unless stated otherwise)

(refer note B.12 (i) of Schedule 21)

Over Six Months				
Considered Good		557.2		498.6
Considered Doubtful	63.6		91.1	
Less: Provision for Doubtful Debts	63.6	—	91.1	—
Other Debts		6,243.1		10,055.8
		<u>6,800.3</u>		<u>10,554.4</u>

SCHEDULE 10 : CASH AND BANK BALANCES

Cash / Cheques on hand		5.2		2.2
Balances with Banks				
Scheduled Banks				
Current Accounts	187.0		227.7	
Deposit Accounts {Pledged Rs. 30.3 Million (Previous Year Rs. 1.8 Million)}	12,057.5	12,244.5	9,150.5	9,378.2
Other Banks (refer note B.14 of Schedule 21)				
Current Accounts	9.5		3.0	
Deposit Accounts	395.5	405.0	345.3	348.3
		<u>12,654.7</u>		<u>9,728.7</u>

SCHEDULE 11 : OTHER CURRENT ASSETS

Interest accrued on - Investment		6.1		5.8
- Deposits		375.2		252.0
		<u>381.3</u>		<u>257.8</u>



SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 12 : LOANS AND ADVANCES				
(Unsecured-Considered Good, unless stated otherwise)				
Advances and loans to subsidiaries (refer note B.15 (a) of Schedule 21)		576.9		1,061.1
Loans to Employees / Others {Secured Loans Rs.160.0 Million (Previous Year Rs. Nil)}				
Considered Good		233.0		60.2
Considered Doubtful	9.5		9.5	
Less: Provision for Doubtful Loans / Advances	9.5	—	9.5	—
Advances Recoverable in Cash or in Kind or for				
Value to be received		200.4		732.0
Advances to Suppliers		249.9		415.6
Balances with Central Excise and Customs		685.0		585.0
DEPB and Advance Licence		131.3		131.2
Other Deposits		79.9		70.5
Advance Payment of Income Tax		518.2		563.1
{Net of Provision Rs. 694.4 Million (Previous Year Rs. 453.5 Million)}				
		2,674.6		3,618.7

SCHEDULE 13 : CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors				
Due to Micro, Small and Medium Enterprises (refer note B.11 of Schedule 21)	2.1		—	
Others	4,775.8		6,464.8	
Advance from Customers	104.6		62.0	
Security Deposits	18.4		19.3	
Investor Education and Protection Fund shall be credited by				
Unclaimed Dividend (not due)	19.5		14.4	
Other Liabilities	810.5		685.0	
Interest accrued but not due on Loans	—	5,730.9	17.6	7,263.1
Provisions				
Provision for Fringe Benefit Tax	0.6		1.0	
Net of Advance Tax Rs.48.8 Million (Previous Year Rs. 12.6 Million)				
Proposed Dividend- Equity Shares	2,847.9		2,174.7	
	2,848.5		2,175.7	
Corporate Dividend Tax	484.0		369.6	
Provision for employee benefits	88.5	3,421.0	82.6	2,627.9
		9,151.9		9,891.0

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million

SCHEDULE 14 : OTHER OPERATING INCOME

Share of Income from Partnership Firm	10,918.0	7,834.1
	10,918.0	7,834.1

SCHEDULE 15 : OTHER INCOME

Lease Rental and Hire Charges-TDS Rs. 0.4 Million (Previous Year Rs.Nil)	19.7	5.7
Interest Income (Net) (refer note B.5 of Schedule 21)	1,158.9	1,068.5
TDS Rs.220.7 Million (Previous Year Rs. 145.6 Million)		
Profit on Sale of Current Investments	263.7	129.5
Insurance Claims	4.7	6.5
Sundry Balance Written Back (Net)	—	11.9
Dividend Income Rs.13,300 (Previous Year Rs. 13,300)	0.0	0.0
Miscellaneous Income-TDS Rs. 0.5 Million (Previous Year Rs. 0.5 Million)	374.2	54.1
	1,821.2	1,276.2

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 16 : COST OF MATERIALS / GOODS				
Inventory of Raw & Packing material at the beginning of the year	1,680.5		1,296.0	
Purchases during the year - Raw & Packing Material	7,361.3		6,247.5	
- Finished Goods	12,706.7		9,578.2	
Inventory of Raw & Packing material at the end of the year	(2,411.9)	19,336.6	(1,680.5)	15,441.2
Inventory of Finished Goods and Work-in-Progress at the beginning of the year	2,084.2		1,910.4	
Inventory of Finished Goods and Work-in-Progress at the end of the year	(2,322.0)		(2,084.2)	
(Increase) / Decrease of Finished Goods and Work-in-Progress		(237.8)		(173.8)
		19,098.8		15,267.4
SCHEDULE 17 : INDIRECT TAXES				
Sales Tax		817.2		648.7
		817.2		648.7
SCHEDULE 18 : PERSONNEL COST				
Salaries, Wages, Bonus and Benefits		1,255.2		1,019.4
Contribution to Provident and Other Funds		101.9		81.3
Staff Welfare Expenses		126.0		101.3
		1,483.1		1,202.0
SCHEDULE 19 : OPERATING AND OTHER EXPENSES				
Stores and Spares Consumed		282.3		204.9
Manufacturing Charges		247.7		195.4
Power and Fuel		504.4		373.6
Rent		6.5		4.3
Rates and Taxes		13.6		9.7
Insurance		28.9		15.7
Selling and Distribution		1,280.9		1,033.6
Commission and Discount		272.6		215.7
Repairs				
Building	38.4		22.2	
Plant and Machinery	191.6		156.7	
Others	64.2	294.2	48.9	227.8
Printing and Stationery		22.2		22.7
Travelling and Conveyance		93.6		91.3
Overseas Travel and Export Promotion		681.6		602.4
Communication		38.7		36.8
Provision for Doubtful Debts		9.5		26.4
Sundry Balances/Bad Debts written off (Net)	59.9		—	
Less : Adjusted out of Provision of earlier years	37.0	22.9	—	—
Professional and Consultancy		302.1		97.3
Donations		0.1		10.3
Loss on Sale of Fixed Assets (Net)		4.7		0.7
Excise duty on stock (.)		(49.0)		(28.7)
Auditors' Remuneration (net of service tax)				
As Auditor	6.0		5.1	
Other Services	0.1		0.1	
Out of Pocket Expenses	0.1	6.2	0.1	5.3
Miscellaneous expenses		141.9		109.9
		4,205.6		3,255.1

(.) represents the difference between excise duty on opening and closing stock of finished goods.



SCHEDULES TO THE FINANCIAL STATEMENTS

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 20 : RESEARCH AND DEVELOPMENT EXPENDITURE				
Salaries, Wages, Bonus and Benefits		270.1		200.0
Contribution to Provident and Other Funds		13.1		10.4
Staff Welfare Expenses		27.2		23.2
Raw Material, Stores and Spares Consumed		403.9		323.8
Power and Fuel		15.2		12.2
Rates and Taxes		4.3		4.9
Insurance		1.4		2.7
Repairs				
Building		7.6	12.8	
Plant and Machinery		77.2	35.4	
Others		13.8	10.8	59.0
Printing and Stationery		9.0		8.7
Travelling and Conveyance		11.1		9.2
Communication		15.3		15.2
Professional and Consultancy		230.1		542.5
Loss on Sale of Fixed Assets (Net)		0.9		0.3
Miscellaneous Expenses		213.1		162.9
		1,313.3		1,375.0
Less				
Interest Income		0.7	0.5	
Realisations from Product		19.7	62.9	
Misc. Income		2.8	0.9	
Bad debt Recovered / Sundry balances written Back		0.8	0.3	64.6
		1,289.3		1,310.4

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009****SCHEDULE 21 :SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS****A SIGNIFICANT ACCOUNTING POLICIES****I Basis of Accounting**

These financial statements are prepared under historical cost convention on an accrual basis in accordance with the Generally Accepted Accounting Principles in India and the Accounting Standards (AS) as notified under Companies (Accounting Standards) Rules, 2006.

II Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

III Fixed Assets and Depreciation / Amortisation

Fixed Assets including intangible assets are stated at historical cost (net of cenvat credit) less accumulated depreciation/ amortisation thereon and impairment losses, if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to The Companies Act, 1956. Assets costing Rs.5,000/- or less are depreciated at hundred percent rate on prorata basis in the year of purchase. Intangible assets consisting of trademarks, designs, technical knowhow, non-compete fees and other intangible assets are amortised on Straight Line Method from the date they are available for use, over the useful lives of the assets (10/20 years), as estimated by the Management. Leasehold land is amortised over the period of lease.

IV Leases

Lease rental for assets taken on operating lease are charged to the Profit And Loss Account in accordance with Accounting Standard 19 on leases.

V Revenue Recognition

Sales of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Export sales are recognised on the basis of Bill of lading / Airway bill. Sales includes Sales tax, delayed payment charges, consignment sales and are stated net of returns.

VI Investments

Investments are classified into Current and Long Term Investments. Current Investments are valued at lower of cost and fair value. Long Term Investments are stated at cost less provision, if any, for other than temporary diminution in their value.

VII Inventories

Inventories consisting of raw and packing materials, stores and spares, work in progress and finished goods are stated at lower of cost (absorption costing) on FIFO basis and net realisable value.

VIII Research and Development

All revenue expenditure related to Research and Development are charged to the respective heads in the Profit and Loss Account.

IX Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life for the forward contract. The exchange differences arising on settlement / translation are recognised in the Profit and Loss Account.

X Taxes on Income

Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date. The Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the Income Tax Act, 1961.



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009

XI Employee Benefits

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.
- (b) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.
- (c) Liability for accumulated compensated absences of employees is ascertained for on actuarial valuation basis and provided for as per company rules.

XII Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

XIII Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

XIV Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

B NOTES TO FINANCIAL STATEMENTS

	As at 31st March, 2009 Rs in Million	As at 31st March, 2008 Rs in Million
1 CONTINGENT LIABILITIES NOT PROVIDED FOR		
Guarantees Given by the bankers on behalf of the Company	89.6	68.3
Corporate Guarantees	91.2	101.7
Letters of Credit for Imports	399.6	158.6
Liabilities Disputed - Appeals filed with respect to :		
Income Tax on account of Disallowances / Additions	154.1	147.0
Sales Tax on account of Rebate / Classifications	11.6	29.4
Excise Duty on account of Valuation / Cenvat Credit	242.8	198.7
Service Tax on account of Import of Services	1.9	—
ESIC Contribution on account of applicability	0.2	0.3
Drug Price Equalisation Account [DPEA] on account of demand towards unintended benefit, including interest there on, enjoyed by the Company	14.0	14.0
Demand by JDGFT import duty with respect to import alleged to be in excess of entitlement as per the Advanced Licence Scheme	10.7	10.3
Other Claims against the Company not acknowledged as debts	6.5	3.2
2 Estimated amount of contracts remaining to be executed on capital account [net of advances].	320.6	216.5

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009**

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
3 REMUNERATION TO DIRECTORS				
Managerial Remuneration U/s 198 of The Companies Act, 1956				
Salaries and Allowances		28.1		24.4
Contribution to Provident and Other Funds		2.8		2.5
Perquisites and Benefits		0.2		0.3
Commission		3.4		3.4
Total		34.5		30.6
Computation of net profit U/s 198 read with Section 309(5) of The Companies Act, 1956 and calculation of commission payable to directors				
Profit Before Taxation		12,954.1		10,522.0
Add : Depreciation as per Accounts	588.6		561.1	
Loss on Sale of Fixed Assets	5.8		1.4	
Managerial Remuneration	34.5		30.6	
Directors Sitting Fees	0.2		0.2	
Sundry Balances Written Off / Bad Debts Written off	30.4		9.3	
Provision for doubtful debt / Advances	9.5	669.0	26.4	629.0
Less: Depreciation as per Section 350 of Companies Act 1956	588.6		561.1	
Profit on Sale of Fixed Assets	0.2		0.4	
Profit on Sale of Investments	263.7		129.5	
Sundry Balances Written Back	8.3		21.5	
		860.8		712.5
Net Profit		12,762.3		10,438.5
Remuneration payable to Wholetime Directors including Managing Director				
Maximum payable @ 10% of Net Profit as per Companies Act, 1956		1,276.2		1,043.9
Maximum payable as approved by the Share holders		63.0		40.8
Actual paid as approved by the Board		31.1		27.2
Commission payable to Non Executive Directors				
Maximum payable @ 1% of Net Profit as per Companies Act, 1956		127.6		104.4
Maximum payable @ 0.25% (previous year @ 0.50%) of Net Profit as approved by the Share holders		31.9		52.2
Actual paid as approved by the Board		3.4		3.4
4 RESEARCH AND DEVELOPMENT EXPENDITURE				
Revenue		1,289.3		1,310.4
Capital		221.7		133.5
5 Net Interest income Rs.1,159.6 Million (Previous Year Rs. 1,069.0 Million) includes :				
Interest income				
Bank Deposits		1,136.1		1,093.9
Loan		44.6		4.8
Others		6.6		20.9
		1,187.3		1,119.6
Interest Expense				
Fixed Loans		23.6		46.9
Others		4.1		3.7
		27.7		50.6
6 INFORMATION RELATING TO CONSUMPTION OF MATERIALS				
Raw Materials and Packing Materials	Quantity	Value Rs in Million	Quantity	Value Rs in Million
Raw Materials- (in '000 KGs)	11,464.0	6,267.7	13,391.1	5,552.4
Raw Materials-(In Kilo Litres)	24,695.7		26,340.0	
Packing/Other Materials	*	362.2	*	310.6
Total		6,629.9		5,863.0

*Information can not be furnished as the items involved are numerous.

None of the items individually account for more than 10% of total consumption.



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million		Rs in Million	
Imported and Indigenous	%	Value	%	Value
Raw Materials and Packing Materials				
Imported	41.63	2,760.1	40.06	2,348.9
Indigenous	58.37	3,869.8	59.94	3,514.1
Total	100.00	6,629.9	100.00	5,863.0
Stores and Spares				
Imported	0.89	2.5	1.12	2.3
Indigenous	99.11	279.8	98.88	202.6
Total	100.00	282.3	100.00	204.9

7 INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

Formulation (Tablets/Capsules/Parenterals/Ointments) (Nos in Million)		
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity*	7,221.4	6,506.7
Actual Production (including loan license)	1,934.2	1,540.8
Bulk Drugs/Chemicals		
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity* (In Kilo Litres)	1,061.2	1,027.8
Actual Production (including loan license) (In '000 Kgs)	2,239.3	2,161.5
(*as certified by the Management)		

8 INFORMATION RELATING TO TURNOVER, PURCHASE OF GOODS AND STOCKS

	Rs in Million							
	Turnover		Purchase of Goods		Opening Stock		Closing Stock	
	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.
Formulations (Qty Million)								
2008-09	5,651.3	22,920.7	3,744.0	12,689.5	154.7	303.0	181.6	362.4
2007-08	4,538.5	19,565.2	3,014.2	9,527.6	138.2	260.9	154.7	303.0
Bulk Drugs/Chemicals (Qty in '000 Kgs)								
2008-09	2,208.6	5,387.9	0.4	1.5	159.6	502.4	190.7	602.5
2007-08	2,143.5	4,647.0	0.0	3.1	141.6	604.4	159.6	502.4
Others								
2008-09		27.9		15.7		—		—
2007-08		61.3		47.5		—		—
Total								
2008-09		28,336.5		12,706.7		805.4		964.9
2007-08		24,273.5		9,578.2		865.3		805.4

9 INCOME/EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million		Rs in Million	
Income				
Exports (FOB basis)	8,137.7		8,064.5	
Interest	70.6		88.6	
Others	72.8		4.1	
Expenditure				
Raw Materials (CIF basis)	2,299.6		2,329.3	
Packing Materials (CIF basis)	272.8		135.1	
Capital Goods (CIF basis)	367.7		194.4	
Spares and Components (CIF basis)	20.2		22.0	
Professional Charges	424.5		538.2	
Interest	22.5		45.8	
Overseas Travel	79.5		53.2	
Others	772.1		417.1	

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009**

10 The net exchange gain of Rs. 759.6 Million (Previous Year gain of Rs.169.0 Million) is included under various heads in the Profit & Loss account.

11 Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:

- (a) An amount of Rs.NIL (PY:NIL) and RsNIL (PYNIL) was due and outstanding to suppliers as at the end of the accounting year on account of Principal and Interest respectively.
- (b) No interest was paid during the year.
- (c) No interest is payable at the end of the year under Micro, Small and Medium Enterprises Development Act, 2006.
- (d) No amount of interest was accrued and unpaid at the end of the accounting year.

The above information and that given in Schedule 13 - "Current Liabilities and Provisions" regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

12 Disclosure with respect to Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 :

(i) Related Party Disclosure - as per Annexure 'A' annexed.

(ii) Accounting Standard (AS-20) on Earnings Per Share

	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
Profit After Tax	12,652.9	10,140.4
Less: Dividend on Preference Shares	—	0.5
Less: Corporate Dividend Tax on Preference Shares	—	0.1
Profit used as Numerator for calculating Earnings per share	12,652.9	10,139.8
Weighted Average number of Shares used in computing basic earnings per share	207,116,391	199,159,782
Weighted average number of shares used in computing diluted earnings per share	207,116,391	207,116,391
Nominal Value Per Share (in Rs.)	5	5
Basic Earnings Per Share (in Rs.)	61.1	50.9
Diluted Earnings Per Share (in Rs.)	61.1	49.0

(iii) Accounting Standard (AS-17) on Segment Reporting

(a) Primary Segment

The Company has identified "Pharmaceuticals" as the only primary reportable business segment.

(b) Secondary Segment (by Geographical Segment)

India	20,004.1	15,660.1
Outside India	8,332.4	8,613.4
Total Sales	28,336.5	24,273.5

In view of the interwoven/intermix nature of business and manufacturing facility, other segmental information is not ascertainable.

(iv) Accounting Standard (AS-15) on Employee benefits

Contributions are made to Recognised Provident Fund/ Government Provident Fund, Family Pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to Rs. 80.8 Million (Previous year Rs. 66.8 Million)

Contribution to Provident Fund	78.0	63.8
Contribution to Employees State Insurance Scheme (E.S.I.C.)	2.7	2.9
Contribution to Labour Welfare Fund	0.1	0.1



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009

In respect of Gratuity, Contributions are made to LIC's Recognised Group Gratuity Fund Scheme based on amount demanded by LIC of India. Provision for Gratuity is based on actuarial valuation done by independent actuary as at the year end. Actuarial Valuation for Compensated Absences is done as at the year end and the provision is made as per Company rules amounting to Rs. 31.0 Million (Previous Year Rs. 23.2 Million) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. After the issuance of the Accounting Standard 15 on 'Employee Benefits', commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

Category of Plan Assets : The Company's Plan Assets in respect of Gratuity are funded through the Group Scheme of the LIC of India.

In respect of gratuity (funded):

	Rupees in Million (Dr/ (Cr))	
	Year ended	
	31st March, 2009	31st March, 2008
Reconciliation of liability recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	(142.4)	(106.4)
Fair value of plan assets	187.2	104.0
Net (liability) / asset in the Balance sheet	44.8	(2.4)
Movement in net liability recognised in the Balance sheet		
Net liability as at the beginning of the year	(2.4)	—
Net expense recognised in the Profit and Loss account	(32.6)	(23.7)
Contribution during the year	79.8	21.3
Net (liability) / asset in the Balance sheet	44.8	(2.4)
Expense recognised in the Profit and Loss account		
Current service cost	14.3	10.8
Interest cost	8.5	6.0
Expected return on plan assets	(8.3)	(6.7)
Actuarial (gains)/ losses	18.1	22.1
Expense charged to the Profit and Loss account	32.6	32.2
Return on plan assets		
Expected return on plan assets	8.3	6.7
Actuarial (gains)/ losses	(3.9)	(2.4)
Actual return on plan assets	12.2	9.1
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	(106.4)	(75.0)
Current service cost	14.3	10.8
Interest cost	8.5	6.0
Paid benefits	(8.8)	(9.9)
Actuarial (gains)/ losses	22.0	24.5
Commitments as at the year end	(142.4)	(106.4)
Reconciliation of plan assets		
Plan assets as at the beginning of the year	104.0	83.5
Expected return on plan assets	8.3	6.7
Contributions during the year	79.8	21.3
Paid benefits	(8.8)	(9.9)
Actuarial (gains)/ losses	(3.9)	(2.4)
Plan assets as at the year end	187.2	104.0

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

Discount rate	7.75%	8.00%
Expected return on plan assets	7.50%	8.00%
Expected rate of salary increase	6.00%	6.00%
Mortality	LIC (1994-96) Ultimate	

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009**

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

	Rupees in Million (Dr/(Cr))		
	Year ended		
	31st March, 2009	31st March, 2008	31st March, 2007
Experience adjustment			
On plan liabilities	5.2	126.9	3.1
On plan assets	(3.9)	(2.4)	(1.2)
Present value of benefit obligation	(142.4)	(106.4)	(75.0)
Fair value of plan assets	187.2	104.0	83.5
Excess of (obligation over plan assets) / plan assets over obligation	44.8	(2.4)	—

As, this is the third year in which the AS-15 has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four years have not been furnished.

The contribution expected to be made by the Company during financial year ending March 31, 2010 has not been ascertained.

(v) Accounting Standard (AS-19) on Operating Leases

(a) The company has obtained certain premises for its business operations (including furniture and fittings, therein as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 5 years under leave and licence, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.

(b) Lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 19.

13 Investment Purchased and Sold during the Year

Mutual Fund Units (Units of Face Value of Rs. 10 Each, unless stated otherwise)	Units In Nos	2008-09		Units InNos	2007-08	
		Purchase Value	Sales Value		Purchase Value	Sales Value
		Rs in Million	Rs in Million		Rs in Million	Rs in Million
In Liquid Scheme						
ABN Amro Mutual Fund	—	—	—	29,877,263	300.0	302.5
Bharti AXA Mutual Fund (*)	392,097	405.0	406.2	—	—	—
Birla Sun Life Mutual Fund	1,214,675,051	16,180.0	16,292.0	530,382,646	6,880.0	6,888.5
Baroda Pioneer Mutual Fund	10,000,000	100.0	100.1	2,550,834	35.0	35.0
DBS Chola Mutual Fund	41,284,101	500.0	500.1	—	—	—
Deutsche Mutual Fund	605,919,745	6,700.0	6,723.0	22,438,611	265.0	265.3
Fidelity Mutual Fund	12,445,861	150.0	150.0	21,534,774	230.0	230.3
HDFC Mutual Fund	306,840,997	5,314.5	5,345.2	80,692,746	1,070.0	1,080.2
JP Morgan Asset Management	219,930,148	2,447.0	2,460.2	—	—	—
Lotus India Mutual Fund	71,070,517	832.0	836.1	28,425,865	300.0	302.8
Mirae Asset Mutual Fund (*)	484,384	500.0	502.1	—	—	—
Principal Mutual Fund	96,053,555	1,250.0	1,252.7	138,527,790	1,645.5	1,646.9
Prudential Mutual Fund	1,125,053,541	13,865.0	13,903.7	1,489,309,956	17,057.3	17,070.7
Reliance Mutual Fund	305,956,444	4,615.3	4,635.9	23,437,866	250.0	251.7
Religare Mutual Fund	82,980,302	1,000.0	1,001.4	—	—	—
SBI Mutual Fund	10,870,522	210.0	210.0	—	—	—
Standard Chartered Mutual Fund (*)	—	—	—	278,649	300.0	300.6
Sundaram BNP Paribas Mutual Fund	6,687,196	123.0	123.1	—	—	—
Tata Mutual fund (*)	—	—	—	206,995	300.0	301.0
UTI Mutual Fund (*)	30,596	41.3	41.4	—	—	—

(*) Units of Face Value of Rs.1,000 Each



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009

14	Balances with Other Banks held in: Name of the Bank/Institution	Rs in Million		Rs in Million	
		Balance As at 31st March, 2009	Maximum Balance 2008-09	Balance As at 31st March, 2008	Maximum Balance 2007-08
	UBS AG Wealth Management-London Rs.9,490 (Previous Year Rs.7,328)	0.0	0.0	0.0	37.0
	Credit Agricole (Suisse) S.A.Private Bank	395.5	1,188.0	345.4	867.1
	Vietnam Export Import Bank, Hochiminch Branch, Vietnam	1.7	18.3	0.1	17.1
	Standard Chartered, Shanghai Branch, China	2.9	6.1	1.1	14.5
	Moscow Bank, Moscow Branch, Moscow	1.0	11.4	0.9	24.5
	Belvnesheconom Bank, Minsk Branch, Belarus (Previous Year Rs. 25,035)	1.9	5.9	0.0	9.8
	Tsesna Bank,Almaty Branch, Kazakhstan	0.5	6.1	0.8	6.8
	Ukreixm Bank, Kyiv Branch, Ukraine (Previous Year Rs.9,875)	1.5	6.8	0.0	5.4
	Total	405.0		348.3	
15	a) Loans / Advances due from Subsidiaries				
	Loans				
	Sun Pharmaceutical UK Limited	—	0.1	0.1	0.7
	Advances				
	Share Application Money to				
	Sun Farmaceutica LTDA Brazil	—	17.0	—	—
	Sun Pharma Global Inc. BVI	508.5	2,502.1	1,007.4	3,789.9
	Sun Pharma De Mexico, S.A. DE C.V.	68.4	68.4	53.6	60.0
	Total	576.9		1,061.1	
	b) Accrued Interest due from Subsidiaries				
	Sun Pharma Global Inc. BVI	—	—	—	51.6
16	Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are stated at cost of acquisition based on their agreements and are available to the company in perpetuity. The depreciable amount of intangible assets is arrived at based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the company.				
17	The Company has invested USD 25.0 Million [Rs. 1,271.3 Million](Previous Year Rs. 995.5 Million) in Credit Linked Notes(CLN) of Deutsche Bank Ag, London. The maturity value of the said notes is dependent on the performance of a reference entity and inter-alia on happening of certain credit events as defined in CLN term sheet. In view of the fact that the said investment is Long Term and that no credit event has arisen as at the balance sheet date, diminution in value of investment is not considered necessary.				
18	During the year, in terms of approval by the shareholders of the Company in the Annual General Meeting, the authorised share capital of Rs.1,500.0 Million was reclassified to 300,000,000 Equity Shares of Rs.5 each.				
19	Alkaloida Chemical Company Exclusive Group Limited (Alkaloida), a subsidiary of the company has made a strategic investment in Taro Pharmaceutical Industries Limited (Taro) a pharmaceutical company based in Israel and holds 36.4% in the capital of Taro. On May 28, 2008 Alkaloida received a notice from Taro regarding purported termination of the merger agreement between Taro and Aditya Acquisition Company Ltd, an Israeli incorporated subsidiary of Alkaloida. On the same date, Taro and some of its directors had filed for a declaratory judgment in an Israeli court seeking Alkaloida/Sun Pharma to conduct a special tender offer which has been rejected by the Tel-Aviv District Court. The plaintiffs have appealed this decision in the Supreme Court of Israel which has temporarily prohibited closing of the Tender offer until it issues a decision on the appeal. Alkaloida does not foresee any adverse impact on its investment.				

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009**

20 As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29 as notified by Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.

21 The company enters into Forward Exchange Contracts being derivative instruments, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date.

A) The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2009

Currency	Buy/Sell	Cross Currency	Amount in Million As at 31st March, 2009	Amount in Million As at 31st March, 2008
US Dollar	Sell	Rupees	\$105	—

B) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

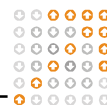
a) Amounts receivable in foreign currency on account of the following :

	Currency	As at 31st March, 2009 Amount in Million		As at 31st March, 2008 Amount in Million	
Exports of Goods & Services					
	US Dollar	\$15.4	INR 782.0	\$96.9	INR 3,860.2
Nil (Previous Year CHF 11,395)	Swiss Franc	—	—	CHF 0.0	INR 0.5
	Euro	€ 3.1	INR 207.8	€ 0.4	INR 27.4
	XOF	XOF 5.5	INR 0.6	XOF 27.4	INR 2.7
	British Pound	£0.5	INR 38.3	—	—
Loans Receivable					
Nil (Previous Year £ 1,404)	British Pound	—	—	£0.0	INR 0.1

b) Amounts payable in foreign currency on account of the following :

Interest Payable	US Dollar	—	—	\$0.4	INR 17.6
Loans Payable	US Dollar	—	—	\$20.0	INR 796.4
Import of Goods & Services	US Dollar	\$6.4	INR 327.9	\$17.5	INR 696.7
Nil (Previous Year CHF 7,906)	Swiss Franc	—	—	CHF 0.0	INR 0.3
	Euro	€ 0.2	INR 12.8	€ 0.3	INR 17.8
£ 9,762 (Previous Year £ 24,210)	British Pound	£0.0	INR 0.7	£0.0	INR 1.9
	Japanese Yen	—	—	JPY 0.5	INR 0.2
S\$1401 (Previous Year Nil)	Singapore Dollars	S\$ 0.0	INR 0.0	—	—
	New Israeli Sheqel	—	—	NIS 0.2	INR 2.0

22 Previous years' figures are restated / regrouped / rearranged wherever necessary in order to confirm to current years' groupings and classifications.



ANNEXURE 'A' TO NOTES ON ACCOUNT

ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"

Rs in Million

Particulars	Subsidiaries		Controlled Entity		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08
Purchases of goods / DEPB	115.1	109.4	13,032.4	9,669.6	—	—	—	—	4.5	—	13,152.0	9,779.0
Sun Pharmaceutical Industries	—	—	13,032.4	9,669.6	—	—	—	—	—	—	13,032.4	9,669.6
Others	115.1	109.4	—	—	—	—	—	—	4.5	—	119.6	109.4
Purchase of Fixed Assets	—	3.0	2.6	16.1	—	—	—	—	—	—	2.6	19.1
Sun Pharmaceutical Industries - Inc.	—	3.0	—	—	—	—	—	—	—	—	—	3.0
Sun Pharmaceutical Industries	—	—	2.6	16.1	—	—	—	—	—	—	2.6	16.1
Sale of goods / DEPB	3,326.6	4,945.7	1,164.3	829.1	—	—	—	—	11.6	7.9	4,502.5	5,782.7
Caraco Pharmaceutical Laboratories Ltd.	2,734.0	4,710.6	—	—	—	—	—	—	—	—	2,734.0	4,710.6
Sun Pharmaceutical Industries	—	—	1,150.4	829.1	—	—	—	—	—	—	1,150.4	829.1
Others	592.6	235.1	13.9	—	—	—	—	—	11.6	7.9	618.1	243.0
Sale of Fixed Assets	—	—	8.8	0.3	—	—	—	—	—	0.1	8.8	0.4
Sun Pharmaceutical Industries	—	—	8.8	0.3	—	—	—	—	—	—	8.8	0.3
Sun Petrochemical Pvt Ltd.	—	—	—	—	—	—	—	—	—	0.1	—	0.1
Receiving of Service	—	—	—	—	—	—	—	—	—	—	—	—
Services	—	—	4.2	6.0	—	—	—	—	13.1	—	17.3	6.0
Sun Pharmaceutical Industries	—	—	4.2	6.0	—	—	—	—	—	—	4.2	6.0
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	—	—	—	—	13.1	—	13.1	—
Reimbursement of Expenses	111.7	158.9	—	—	—	—	—	—	2.6	—	114.3	158.9
Sun Pharma Global Inc - BVI	100.3	152.6	—	—	—	—	—	—	—	—	100.3	152.6
Others	11.4	6.3	—	—	—	—	—	—	2.6	—	14.0	6.3
Rendering of Service	—	—	—	—	—	—	—	—	—	—	—	—
Services	—	4.2	3.1	—	—	—	—	—	5.5	0.5	8.6	4.7
Sun Petrochemical Pvt Ltd.	—	—	—	—	—	—	—	—	5.5	0.5	5.5	0.5
Sun Pharma Global Inc - BVI	—	2.1	—	—	—	—	—	—	—	—	—	2.1
Sun Pharmaceutical Industries	—	—	3.1	—	—	—	—	—	—	—	3.1	—
Sun Pharmaceutical Industries - Inc.	—	2.1	—	—	—	—	—	—	—	—	—	2.1
Reimbursement of Expenses	70.2	24.2	0.2	0.2	—	—	—	—	26.1	67.9	96.5	92.3
Caraco Pharmaceutical Laboratories Ltd.	14.2	1.6	—	—	—	—	—	—	—	—	14.2	1.6
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	—	—	—	—	26.1	67.9	26.1	67.9
Sun Pharmaceutical Industries - Inc.	38.3	0.4	—	—	—	—	—	—	—	—	38.3	0.4
Sun Pharma Global - FZE	16.0	—	—	—	—	—	—	—	—	—	16.0	—
Sun Pharma Global Inc - BVI	1.7	22.2	—	—	—	—	—	—	—	—	1.7	22.2
Others	—	—	0.2	0.2	—	—	—	—	—	—	0.2	0.2
Finance (including loans and equity contributions)	—	—	—	—	—	—	—	—	—	—	—	—
Capital Contribution / (Withdrawal)	2,245.9	5,047.9	9,445.1	7,411.9	—	—	—	—	—	—	11,691.0	12,459.8
Sun Pharmaceutical Industries	—	—	9,359.0	7,411.9	—	—	—	—	—	—	9,359.0	7,411.9
Sun Pharma Global Inc - BVI	2,232.1	5,047.8	—	—	—	—	—	—	—	—	2,232.1	5,047.8
Others	13.8	0.1	86.1	—	—	—	—	—	—	—	99.9	0.1
Investments Sales in Subsidiary	—	0.1	—	—	—	—	—	—	—	—	—	0.1
ALKALOIDA Chemical Company exclusive group Limited	—	0.1	—	—	—	—	—	—	—	—	—	0.1
Loans given / Share Application Money	6,478.2	1,053.4	—	—	—	—	—	—	—	—	6,478.2	1,053.4
Sun Pharma Global Inc - BVI	6,474.3	1,053.3	—	—	—	—	—	—	—	—	6,474.3	1,053.3
Others	3.9	0.1	—	—	—	—	—	—	—	—	3.9	0.1
Loans Received back / Share Application Money Refund	6,989.3	1.0	—	—	—	—	—	—	10.0	—	6,999.3	1.0
Sun Pharma Global Inc - BVI	6,985.5	1.0	—	—	—	—	—	—	—	—	6,985.5	1.0
Others	3.8	—	—	—	—	—	—	—	10.0	—	13.8	—
Corporate Guarantees Given / (Released) on behalf of	1,872.7	995.5	—	—	—	—	—	—	—	125.0	1,872.7	1,120.5
Sun Pharma Global Inc - BVI	1,779.8	995.5	—	—	—	—	—	—	—	—	1,779.8	995.5
Sun Pharma Advanced Research Company Ltd	—	—	—	—	—	—	—	—	—	125.0	—	125.0
Sun Pharma De Mexico S.A. DE C.V.	152.6	—	—	—	—	—	—	—	—	—	152.6	—
Sun Pharmaceutical Industries - Inc.	(59.7)	—	—	—	—	—	—	—	—	—	(59.7)	—
Interest Income	—	—	1.1	1.1	—	—	—	—	—	—	1.1	1.1
Sun Pharmaceutical Industries	—	—	1.1	1.1	—	—	—	—	—	—	1.1	1.1
Rent Income	—	—	1.6	1.6	—	—	—	—	0.1	0.1	1.7	1.7
Sun Pharmaceutical Industries	—	—	1.6	1.6	—	—	—	—	—	—	1.6	1.6
Others	—	—	—	—	—	—	—	—	0.1	0.1	0.1	0.1

**ANNEXURE 'A' TO NOTES ON ACCOUNT****ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"****Rs in Million**

Particulars	Subsidiaries		Controlled Entity		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08
Director's Remuneration	—	—	—	—	31.1	30.6	—	—	—	—	31.1	30.6
Apprenticeship Stipend / Remuneration	—	—	—	—	—	—	0.3	0.2	—	—	0.3	0.2
Remuneration (Partner's) Received	—	—	575.0	401.3	—	—	—	—	—	—	575.0	401.3
Sun Pharmaceutical Industries	—	—	575.0	401.3	—	—	—	—	—	—	575.0	401.3
Rent Paid	—	—	—	—	—	—	—	0.3	—	—	—	0.3
Share of profit / (Loss) from Partnership Firm	—	—	10,343.1	7,432.8	—	—	—	—	—	—	10,343.1	7,432.8
Sun Pharmaceutical Industries	—	—	10,343.1	7,432.8	—	—	—	—	—	—	10,343.1	7,432.8
Others Rs.44,520 (Previous Year Nil)	—	—	(0.0)	—	—	—	—	—	—	—	(0.0)	—
Outstanding Corporate Guarantee to Bank	3,152.7	1,174.7	—	—	—	—	—	—	125.0	125.0	3,277.7	1,299.7
Sun Pharma Global Inc - BVI	2,847.6	995.5	—	—	—	—	—	—	—	—	2,847.6	995.5
Others	305.1	179.2	—	—	—	—	—	—	125.0	125.0	430.1	304.2
Outstanding receivables / (Payables) (Net) as on 31/03/2009	632.4	2,230.9	—	—	—	—	—	—	76.3	123.9	708.7	2,354.8
Caraco Pharmaceutical Laboratories Ltd	403.3	2,167.3	—	—	—	—	—	—	—	—	403.3	2,167.3
Sun Pharma Global Inc - BVI	(104.3)	60.8	—	—	—	—	—	—	—	—	(104.3)	60.8
Sun Pharma Global - FZE	205.3	—	—	—	—	—	—	—	—	—	205.3	—
Others	128.1	2.8	—	—	—	—	—	—	76.3	123.9	204.4	126.7

Note :

Names of related parties and description of relationship

1. Subsidiaries

Sun Pharma Global Inc. BVI.
 Sun Pharma Global - FZE
 Sun Pharmaceutical (Bangladesh) Ltd.
 Sun Pharma De Mexico S.A. DE C.V.
 SPIL De Mexico S.A. DE C.V.
 Sun Pharmaceutical Peru S.A.C.
 Sun Farmaceutica Ltda - Brazil
 Sun Pharmaceutical Industries Inc , USA
 Caraco Pharmaceutical Laboratories Ltd - U.S.A
 Sun Pharmaceuticals UK Ltd
 ALKALOIDA Chemical Company exclusive group Limited
 Chattem Chemical Inc.
 Zao Sun Pharma Industries Ltd. Russia
 Sun Pharmaceutical Ind (Australia) PTY Ltds
 Aditya Acquisition Company Ltd - Israel
 Sun Development Corporation I
 Sun Pharmaceutical Ind. Europe BV
 OOO "Sun Pharmaceutical Industries" Ltd.
 Sun Pharmaceuticals France
 Sun Pharmaceuticals Germany GmbH
 Sun Pharmaceuticals Italia S.R.L.
 Sun Pharmaceutical Spain, SL.
 Sun Pharmaceuticals (SA) (Pty) Ltd-South Africa

2. Controlled Entity

Sun Pharma Exports
 Sun Pharmaceutical Industries
 Sun Pharma Sikkim
 Universal Enterprise Pvt. Ltd.

3. Key Management Personnel

Mr Dilip S Shanghvi
 Mr Sudhir V. Valia
 Mr Sailesh T. Desai
 Mrs Vibha Shanghvi
 Mrs Kumud Shanghvi
 Mrs Meera Desai
 Mr Alok Shanghvi
 Ms Khyati Valia

5. Enterprise under significant Influence of Key Management Personnel or their relatives

Sun Petrochemical Pvt . Ltd.
 Sun Speciality Chemicals Pvt. Ltd.
 Navjivan Rasayan (Gujarat) Pvt. Ltd.
 Sun Pharma Advanced Research Company Ltd.
 Shantilal Shanghvi Foundation

Wife of Chairman and Managing Director
 Mother of Chairman and Managing Director
 Wife of Wholetime Director
 Son of Chairman and Managing Director
 Daughter of Wholetime Director



Information required as per Part IV of Schedule VI to The Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	Balance Sheet Date	State Code
04/19050	31st March, 2009	04

II Capital Raised during the year (Rs in Million)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III Position of Mobilisation and Deployment of Funds (Rs in Million)

Total Liabilities	Total Assets
52924.4	52924.4
Sources of Funds	
Paid-up Capital	Reserves and Surplus
1035.6	50478.6
Secured Loans	Unsecured Loans
236.0	0.0
Deferred Tax Liability (Net)	
1174.2	
Application of Funds	
Net Fixed Assets	Investments
7752.1	26945.9
Net Current Assets	Miscellaneous Expenditure
18226.4	NIL
	Accumulated Losses
	NIL

IV Performance of the Company (Rs in Million)

Total Income	Total Expenditure
40436.7	27482.6
Profit Before Tax	Profit After Tax
12954.1	12652.9
Earning per share Rs.*	Dividend Rate
61.1	275.00%

* Basic - after considering pro-rata dividend (including corporate dividend tax) on preference shares.

V Generic Names of Three Principal Products of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
30049038	Pantaprazole Sodium
30049065	Metformin Hydrochloride
30033900	Losartan Potassium

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, May 30, 2009

KAMLESH H. SHAH
Company Secretary

Mumbai, May 30, 2009



FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE YEAR 2008-09

(Amount in Million)

Sr. No.	Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover / Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend	Country
1	Zao "Sun Pharma Industries Ltd."	INR Rru	0.0 0.0	— —	0.0 0.0	0.0 0.0	— —	— —	— —	— —	— —	— —	Russia
2	Caraco Pharmaceutical Laboratories Ltd.	INR USD	7,161.8 141.7	1,120.9 22.2	8,139.7 161.0	8,139.7 161.0	— —	15,487.2 337.8	1,725.2 29.5	450.5 8.9	1,274.7 20.6	— —	USA
3	Sun Pharma Global Inc. BVI	INR USD	61.9 1.2	25,654.1 507.4	28,244.0 558.6	28,244.0 558.6	2,175.6 43.1	(4,023.4) (87.8)	(4,521.2) (98.6)	— —	(4,521.2) (98.6)	— —	British Virgin Island
4	Sun Pharma De Mexico S. A. DE C.V.	INR Mexican Peso	95.7 26.8	(0.1) (0.0)	231.5 64.9	231.5 64.9	— —	246.5 64.7	(26.7) (6.4)	(1.8) (0.5)	(24.9) (5.9)	— —	Mexico
5	Sun Pharmaceutical (Bangladesh) Ltd.	INR Taka	86.5 116.9	18.0 24.4	189.4 255.9	189.4 255.9	— —	221.6 330.7	49.2 65.7	— —	49.2 65.7	— —	Bangladesh
6	Sun Farmaceutica Ltda.	INR Brazilian Reals	50.8 2.3	(88.1) (4.0)	(7.9) (0.4)	(7.9) (0.4)	— —	(2.8) (0.1)	(60.2) (2.6)	— —	(60.2) (2.6)	— —	Brazil
7	Sun Pharmaceutical Industries INC.	INR USD	0.3 0.0	(1,524.9) (30.1)	2,907.5 57.6	2,907.5 57.6	— —	894.4 19.5	(741.0) (17.7)	(349.3) (6.9)	(391.7) (10.8)	— —	USA
8	Sun Pharmaceutical Industries (Europe) BV	INR Euro	1.2 0.0	(19.1) (0.3)	9.0 0.1	9.0 0.1	— —	2.0 0.0	(13.5) (0.2)	— —	(13.5) (0.2)	— —	The Netherlands
9	ALKALOIDA Chemical Company Exclusive Group Ltd.	INR HUF	1,441.1 6,550.6	(993.6) (4,516.3)	13,202.3 60,010.8	13,202.3 60,010.8	5,452.8 24,785.7	1,184.5 4,738.1	(1,395.3) (5,073.2)	— —	(1,395.3) (5,073.2)	— —	Hungary
10	Sun Pharmaceutical Peru S.A.C.	INR Soles	0.0 0.0	(10.7) (0.7)	1.3 0.1	1.3 0.1	— —	— —	(10.2) (0.7)	— —	(10.2) (0.7)	— —	Peru
11	Sun Pharmaceuticals UK Ltd.	INR Pound	0.1 0.0	(32.4) (0.4)	(32.4) (0.4)	(32.4) (0.4)	— —	101.9 1.3	(40.4) (0.4)	— —	(40.4) (0.4)	— —	United Kingdom
12	SPI De Mexico S.A. DE C.V.	INR Mexican Peso	0.2 0.1	— —	0.2 0.1	0.2 0.1	— —	— —	— —	— —	— —	— —	Mexico
13	Sun Pharmaceuticals Italia S.R.L.	INR Euro	14.0 0.2	(13.1) (0.2)	(3.8) (0.1)	(3.8) (0.1)	— —	— —	(17.4) (0.3)	(4.7) (0.1)	(12.7) (0.2)	— —	Italy
14	Aditya Acquisition Company Ltd.	INR Israeli New Shekel, ILS	0.0 0.0	— —	— —	— —	— —	— —	— —	— —	— —	— —	Israel
15	Sun Development Corporation I	INR USD	0.0 0.0	— —	— —	— —	— —	— —	— —	— —	— —	— —	USA
16	Sun Pharmaceutical Industries (Australia) Pty. Ltd.	INR AUD	0.0 0.0	(0.1) (0.0)	(0.1) (0.0)	(0.1) (0.0)	— —	— —	(0.1) (0.0)	— —	(0.1) (0.0)	— —	Australia
17	OOO "Sun Pharmaceutical Industries" Ltd.	INR Rru	0.1 0.1	(5.0) (3.4)	1.0 0.7	1.0 0.7	— —	(1.8) (1.1)	(5.2) (3.1)	— —	(5.2) (3.1)	— —	Russia
18	Sun Pharma Global (FZE)	INR USD	208.5 4.1	11,077.4 219.1	11,285.9 223.2	11,285.9 223.2	— —	1,793.4 39.1	800.4 17.5	— —	800.4 17.5	— —	U.A.E.
19	Sun Pharmaceuticals Germany GmbH	INR Euro	1.7 0.0	(0.6) (0.0)	2.4 —	2.4 —	— —	— —	(0.6) (0.0)	— —	(0.6) (0.0)	— —	Germany
20	Sun Pharmaceuticals (SA) PTY Ltd.	INR Zar	0.0 0.0	— —	— —	— —	— —	— —	— —	— —	— —	— —	South Africa

Note:

- Exchange Rate as on 31.03.2009 : 1 USD = Rs.50.56, 1 Mexican Peso= Rs.3.57, 1 Bangladesh Taka= Rs.0.74, 1 Euro= Rs.66.99, 1 Brazilian Reais= Rs.22.23, 1 Peruvian Nuevo Sol = Rs.16.04, 1 HUF = Rs.0.22, 1 British Pound = Rs.72.43, 1 Rru = Rs.1.48, 1 Israeli New Shekel, ILS= Rs. 12.38, 1 Zar = Rs. 5.39.
- The first financial year of Sun Pharmaceuticals France and Sun Pharmaceutical Spain, SL. ends on 31.03.2010 and accordingly not included herein above. However, for the purpose of consolidation, the Accounts of Sun Pharmaceuticals France and Sun Pharmaceutical Spain, SL. for the period from their date of incorporation i. e. 11.02.2009 and 27.03.2009, respectively till 31.03.2009 has been considered.
- The figures of Sun Pharmaceutical Industries INC includes the figures of its wholly owned subsidiary Chattem Chemicals, Inc whose results was consolidated with it.
- 0.0' represents amount less than 0.5 million and rounded off.



CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. Company's Philosophy on Code of Corporate Governance

Sun Pharmaceutical Industries Limited's philosophy on corporate governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation across all facets of its operations leading to sharply focused and operationally efficient growth. The Company tries to work by these principles in all its interactions with stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

Sun Pharmaceutical Industries Limited is committed to learn and adopt the best practices of corporate governance.

2. Board of Directors

The present strength of the Board of Directors of your Company is seven Directors.

Composition and category of Directors is as follows:

Category	Name of the Directors	Inter-se Relationship between Directors
Promoter Executive Director	Mr. Dilip S. Shanghvi (Chairman and Managing Director)	Brother-in-law of Mr. Sudhir V. Valia
Non-Promoter Executive Directors	Mr. Sudhir V. Valia (Whole - Time Director)	Brother-in-law of Mr. Dilip S. Shanghvi
	Mr. Sailesh T. Desai (Whole - Time Director)	—
Non Executive Independent Directors	Mr. S. Mohanchand Dadha	—
	Mr. Hasmukh S. Shah	—
	Mr. Keki M. Mistry	—
	Mr. Ashwin S. Dani	—

Number of Board Meetings held and the dates on which held: 5 Board meetings were held during the year, as against the minimum requirement of 4 meetings.

The dates on which the meetings were held are as follows: May 30, 2008, July 28, 2008, September 6, 2008, October 25, 2008 and January 30, 2009.

Attendance of each Director at the Board meetings, last Annual General Meeting (AGM), and number of other Directorship and Chairmanship/Membership of Committee of each Director, is as follows:

Name of the Director	Attendance Particulars for the year ended 31st March, 2009		*No. of other directorships and committee memberships / chairmanships as of 31st March, 2009		
	Board Meetings	Last AGM held on September 6, 2008	Other Directorships	Committee Memberships**	Committee Chairmanships**
Mr. Dilip S. Shanghvi	5	Yes	1	—	—
Mr. Sudhir V. Valia	5	Yes	2	—	1
Mr. Sailesh T. Desai	5	Yes	1	—	—
Mr. S. Mohanchand Dadha	4	Yes	3	—	1
Mr. Hasmukh S. Shah	3	No	9	1	2
Mr. Keki M. Mistry	4	No #	12	7	2
Mr. Ashwin S. Dani	4	No	7	1	1

* The above list does not include Directorships, Committee Memberships and Committee Chairmanships in Private, Foreign and Section 25 Companies.



**The Committee Memberships and Chairmanships in other Companies include Memberships and Chairmanships of Audit and Shareholders' / Investors' Grievance Committee only.

Mr. Keki Mistry, Chairman of the Audit Committee could not attend the last AGM due to illness. However, two other members of the Audit Committee were present at the last AGM including Mr. S. Mohanchand Dadha, Non-Executive and Independent Director, who was authorised by the Chairman of the Audit Committee, and the Board of Directors of the Company, to answer shareholders queries at the AGM on his behalf.

3. Code of Conduct

The Board of Directors have laid down a code of conduct for all Board members and senior management of the Company. All the Directors and senior management personnel have affirmed compliance with the code of conduct as approved and adopted by the Board of Directors and a declaration to this effect has been annexed to the Corporate Governance Report. The code of conduct has been posted on the website of the Company www.sunpharma.com.

4. Audit Committee

The Audit committee of the Company comprises of three independent non-executive Directors viz. Mr. Keki M. Mistry, Mr. S. Mohanchand Dadha and Mr. Hasmukh S. Shah. Mr. Keki M. Mistry is the Chairman of the committee. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. Mr. Kamlesh H. Shah the Company Secretary of the Company is the Secretary of the Audit Committee.

The terms of reference of the Audit Committee interalia include overseeing the Company's financial reporting process, reviewing the quarterly/ half-yearly/ annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, management letters issued by the statutory auditor, recommending the appointment/ re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings/ related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

Executives from the Finance Department, Representatives of the Statutory Auditors and Internal Auditors are also invited to attend the Audit Committee Meetings.

The Committee has discussed with the external auditors their audit methodology, audit planning and significant observations/ suggestions made by them.

In addition, the Committee has discharged such other role/ function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.

Four Audit Committee Meetings were held during the year ended March 31, 2009. The dates on which Meetings were held are as follows: May 30, 2008, July 28, 2008, October 25, 2008 and January 30, 2009. The attendance of each Member of the Committee is given below:

Name of the Director	Chairman / Member of the Committee	No. of Audit Committee Meetings attended
Mr. Keki M. Mistry	Chairman	4
Mr. S. Mohanchand Dadha	Member	3
Mr. Hasmukh S. Shah	Member	3

5. Remuneration Committee

The Company has not formed any Remuneration Committee of Directors. The Whole - Time Directors' remuneration is approved by the Board within the overall limit fixed by the shareholders at their meetings. The payment of remuneration by way of commission to the Non- Executive Directors of the Company is within the total overall maximum limit of quarter percent of net profits as worked under the provisions of sections 349 & 350 of the Companies Act, 1956. This will be in addition to the sitting fees of Rs.5,000/- payable to the Non Executive Directors for attending each meeting of the Board and/or of Committee thereof. . The actual commission payable to the Non- Executive Directors of our Company severally and collectively as below mentioned has been decided by the Board of Directors of the Company at their Meeting held on January 30, 2009 which is within the overall limit fixed as above by the Members of the Company.



The details of the remuneration paid/payable to the Directors during the year 2008-2009 are given below:

(Amount in Rs.)

Directors	Salary #	Bonus	Perquisites* / Benefits	Commission	Sitting Fees	Total
Mr.Dilip S. Shanghvi	98,13,000	19,62,600	13,16,594	—	—	1,30,92,194
Mr. Sudhir V. Valia	98,13,000	19,62,600	12,63,377	—	—	1,30,38,977
Mr. Sailesh T. Desai	37,80,000	7,56,000	4,77,094	—	—	50,13,094
Mr. S. Mohanchand Dadha	—	—	—	8,50,000	55,000	9,05,000
Mr.Hasmukh S. Shah	—	—	—	8,50,000	45,000	8,95,000
Mr. Keki M. Mistry	—	—	—	8,50,000	40,000	8,90,000
Mr. Ashwin S. Dani	—	—	—	8,50,000	20,000	8,70,000

Salary includes Special Allowance.

* Perquisites include House Rent Allowance, Leave Travel Assistance, Medical Reimbursement, contribution to Provident Fund and such other perquisites, the monetary value of which are determined in accordance with the Income Tax Rules, 1962.

Besides this, all the Whole - Time Directors are also entitled to encashment of leave and Gratuity at the end of tenure, as per the rules of the Company.

Notes: -

- The Agreement with each of the Executive Directors is for a period of 5 years. Either party to the agreement is entitled to terminate the Agreement by giving to the other party 30 days notice in writing.
- Your Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.
- There is no separate provision for payment of severance fees to Whole-time Director(s).

Details of Equity Shares held by Non-Executive Directors as on 31.03.2009

Director	No. of Shares held (including shares held jointly)
Mr. S. Mohanchand Dadha	28428
Mr. Hasumukh S. Shah	1200
Mr. Keki M. Mistry	5000
Mr. Ashwin S. Dani	Nil

6. Shareholders'/Investors' Grievance Committee

The Board of the Company had constituted a Shareholders'/Investors' Grievance Committee, comprising of Mr. S. Mohanchand Dadha, Mr. Dilip S. Shanghvi, Mr. Sudhir V. Valia with Mr. Hasumukh S. Shah as the Chairman. The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities. The Committee looks into shareholders' complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. The Board of Directors has delegated the power of approving transfer of securities to M/s. Link Intime India Pvt. Ltd., and/or the Company Secretary of the Company.

The Board has designated severally, Mr. Kamlesh H. Shah, Company Secretary and Mr. Ashok I. Bhuta, D.G.M (Legal & Secretarial) as Compliance Officers.

Five meetings of the Shareholders'/Investors' Grievance Committee were held during the year ended 31st March, 2009. The dates on which Meetings were held are as follows: May 30, 2008, July 28, 2008, September 6, 2008, October 25, 2008 and January 30, 2009. The attendance of each Member of the Committee is given below:



Name of the Director	Chairman / Member of the Committee	No. of Shareholders'/Investors' Grievance Committee Meetings attended
Mr. Hasmukh S. Shah	Chairman	3
Mr. Sudhir V. Valia	Member	5
Mr. Dilip S. Shanghvi	Member	5
Mr. S. Mohanchand Dadha	Member	4

Investor Complaints :

The total number of complaints received and resolved to the satisfaction of shareholders during the year under review, were 62.

7. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary Company whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year.

The financial statements including investments made by the unlisted subsidiaries were placed before and reviewed by the Audit Committee of the Company.

Copies of the Minutes of the Board Meetings of the unlisted subsidiary Companies were placed at the Board Meetings of the Company held during the year.

The Board of Directors of the Company, reviewed periodically, the statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.

8. General Body Meetings

(i) Location and time of the General Meetings held during the last 3 years are as follows:

Year	Meeting	Location	Date	Time
2005-06	Fourteenth AGM	Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara – 390 007.	20/09/2006	10.30 A.M.
2006-07	EGM	Conference Hall, 6 th Floor, Hotel The Mirador, Next to Samarpan Complex, Opp. Solitaire Corporate Park, Chakala, Andheri (E), Mumbai – 400 099.	28/07/2007	10.30 A.M.
2006-07	Fifteenth AGM	Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara – 390 007.	05/09/2007	10.30 A.M.
2007-08	Sixteenth AGM	Hotel Taj Residency Akota Gardens, Akota Vadodara - 390 020.	06/09/2008	10.15 A.M.

(ii) Special Resolutions passed during the last three years

a) At the Fourteenth Annual General Meeting:

1. Approval for revision of remuneration of Mr. Dilip S. Shanghvi, Chairman & Managing Director
2. Approval for revision of remuneration of Mr. Sudhir V. Valia, Whole time Director
3. Approval for revision of remuneration of Mr. Sailesh T. Desai, Whole time Director

b) At Extraordinary General Meeting:

1. Approval for issue of FCCBs/GDRs/ADRs or any other securities upto an amount as specified in the resolution.
2. Approval for investment in shares and securities of any other body corporates under section 372A of the Companies Act, 1956 upto the limits specified in the resolution.



c) At the Fifteenth Annual General Meeting:

1. Alteration of Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company, for re-classification of Authorised Share Capital of the Company.
2. Re-appointment of Mr. Dilip S. Shanghvi, Chairman & Managing Director, and approval of terms and conditions of appointment including remuneration.
3. Approval for payment of commission to Non-Executive Directors of the Company.

d) At the Sixteenth Annual General Meeting:

1. Alteration of Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company, for re-classification of Authorised Share Capital of the Company.
2. Re-appointment of Mr. Sudhir V. Valia, Whole-Time Director and approval of terms and conditions of appointment including remuneration.
3. Re-appointment of Mr. Sailesh T. Desai, Whole-Time Director and approval of terms and conditions of appointment including remuneration.
4. Appointment of Mr. Aalok D. Shanghvi, relative of a Director to hold an office or place of profit under Section 314 of the Companies Act, 1956 and increase in upper limit of remuneration upto a maximum of Rs.20,00,000/- per annum from April 1, 2009 for a period of five years.

(iii) Postal Ballot

During the year, the Company did not pass any resolution by Postal Ballot and does not have any business that requires Postal Ballot.

9. Disclosures

- * No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of contracts containing transactions, in which directors are interested, is placed before the Board of Directors regularly. The transaction with the related parties are disclosed in the Annexure A attached to the Annual Accounts.
- * There were no instances of non-compliance by the Company on any matters related to the capital markets or penalties/strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority during the last 3 financial years.
- * In the preparation of the financial statements, the Company has followed the Accounting Standards as notified by Companies (Accounting Standard) Rules, 2006.
- * The Company has laid down procedures to inform Board members about the risk assessment and its minimization, which are periodically reviewed to ensure that risk control is exercised by the management effectively.
- * During the year under review, the Company has not raised funds through any public, rights or preferential issue.
- * Adoption/ Non Adoption of the Non- mandatory requirements :
 - (i) The Company has not fixed a period of nine years as the tenure of Independent Directors on the Board of the Company.
 - (ii) The Company has not formed a remuneration committee of its Board of Directors.
 - (iii) The Company does not send half-yearly financial results to the household of each shareholder as the same are published in the newspapers and also posted on the website of the Company and the websites of the BSE and NSE.
 - (iv) The Company's Board comprise of perfect mix of Executive and Non Executive Independent Directors who are Company Executives and Professionals having in depth knowledge of pharmaceutical industry and/ or expertise in their area of specialisation.
 - (v) The Company's Board of Directors endeavor to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changes in business environment.
 - (vi) At present the Company does not have a mechanism for evaluating its Non-Executive Directors by peer group.
 - (vii) The Company has not adopted whistle blower policy. However the Company has not denied access to any employee to approach the management on any issue. The Company has adopted a Code of Conduct for its Board of Directors and senior management which contains the requirements of the Whistle Blower Policy.



10. Means of Communication

- * Website: The Company's website www.sunpharma.com contains a separate dedicated section 'Financials' where shareholders information is available. Full Annual Report is also available on the website in a user friendly and downloadable form. Apart from this, official news releases, detailed presentations made to media, analysts etc., and the transcript of the conference calls are also displayed on the Company's website.
- * Financial Results: The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.sunpharma.com. These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like 'The Economic Times', 'Business Standard' and Gujarati Edition of 'Financial Express'.
- * Annual Report: Annual Report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, International Accountants' Report and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report.
- * Corporate Filing and Dissemination System (CFDS): Filing of information through Corporate Filing and Dissemination System is now applicable as per the requirement of the Listing Agreement with the Stock Exchanges, and all disclosures and communications to BSE & NSE are filed electronically through the CFDS portal. Hard copies of the said disclosures and correspondence are also filed with the Exchanges. Announcements, Quarterly Results, Shareholding Pattern etc. of the Company regularly filed by the Company, are also available on the website of The Bombay Stock Exchange Ltd. - www.bseindia.com, National Stock Exchange of India Ltd. - www.nseindia.com, and Corporate Filing & Dissemination System website - www.corpfiling.co.in.

11. General Shareholder Information

11.1 Annual General Meeting:

- Date and Time : Friday, 11th September, 2009
at 10.15 am.
- Venue : The Gateway Hotel, Akota Gardens, Akota,
Vadodara – 390 020, Gujarat.

- 11.2 Financial Calendar (tentative)** :
- Results for quarter ending June 30, 2009 - Last week of July 2009.
 - Results for quarter ending September 30, 2009 – Last week of October 2009.
 - Results for quarter ending December 31, 2009 – Last week of January 2010 .
 - Audited Results for year ended March 31, 2010 – 3rd or 4th week of May 2010.

- 11.3 Details of Book Closure For Equity Shareholders** :
- From Tuesday, 25th August, 2009 to Saturday, 5th September, 2009 (both days inclusive).

- 11.4 Dividend Payment Date** : On or after 15th September, 2009

- 11.5 (i) Listing of Equity Shares on Stock Exchanges** : At The Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange of India Ltd. (NSE).

- (ii) Payment of Listing Fee** : Listing Fees for the year ended 2009-10 have been paid to The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd, where the Company's Equity Shares continue to be listed.

11.6 Stock Code :

Equity Shares

- (a) Trading Symbol The Bombay Stock Exchange Ltd., (Demat Segment) : SUN PHARMA 524715
Trading Symbol National Stock Exchange (Demat Segment) : SUNPHARMA
- (b) Demat ISIN Numbers in NSDL and CDSL for Equity Shares of Rs.5/- each : ISIN No. INE044A01028

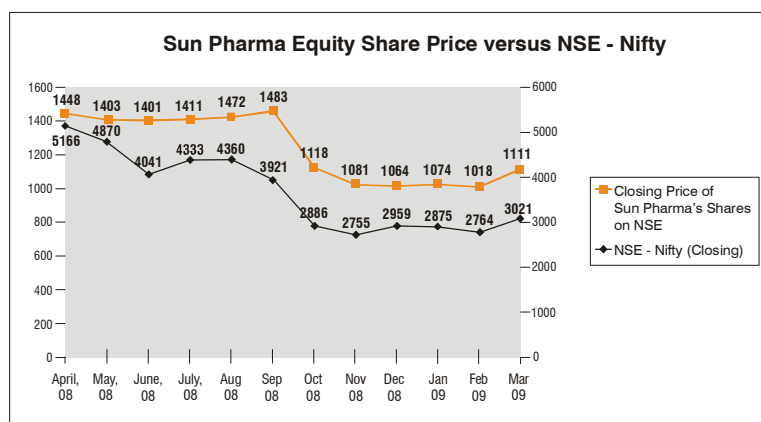
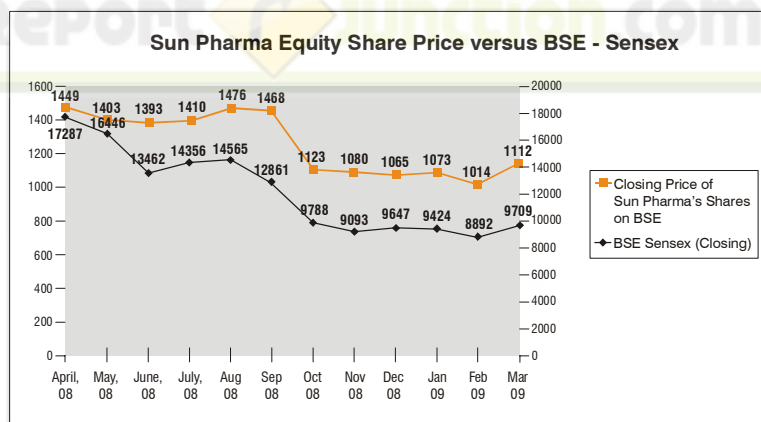


11.7 Stock Market Data

Equity Shares:

	Bombay Stock Exchange Ltd. (BSE) (in Rs.)		National Stock Exchange of India Ltd. (NSE) (in Rs.)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2008	1473.70	1190.05	1474.95	1181.00
May 2008	1481.00	1285.00	1520.15	1284.90
June 2008	1515.00	1267.00	1510.00	1272.20
July 2008	1485.90	1275.20	1486.95	1275.00
August 2008	1530.00	1392.00	1529.80	1398.00
September 2008	1557.80	1348.10	1556.90	1331.10
October 2008	1498.00	1040.10	1500.00	1004.70
November 2008	1289.00	983.50	1291.00	982.50
December 2008	1138.75	992.00	1149.85	990.00
January 2009	1179.95	1032.00	1179.95	1030.25
February 2009	1121.70	990.15	1125.00	990.50
March 2009	1123.00	953.00	1124.00	954.00

(Source: BSE and NSE website)



**11.8 Share price performance in comparison to broad-based indices – BSE Sensex and NSE Nifty.****Share price performance relative to BSE Sensex based on share price on 31st March, 2009.**

	% Change in		
PERIOD	SUN PHARMA SHARE PRICE	BSE SENSEX	SUNPHARMA RELATIVE TO SENSEX
Year-on-Year	-9.67%	-37.94%	28.27%
2 Years	5.54%	-25.73%	31.27%
3 Years	28.39%	-13.93%	42.32%
5 Years	242.31%	73.66%	168.65%

Share price performance relative to Nifty based on share price on 31st March, 2009.

	% Change in		
PERIOD	SUN PHARMA SHARE PRICE	NIFTY	SUN PHARMA RELATIVE TO NIFTY
Year-on-Year	-9.59%	-36.19%	26.60%
2 Years	5.21%	-20.95%	26.16%
3 Years	29.31%	-11.22%	40.53%
5 Years	241.20%	70.49%	170.71%

(Source: Compiled from data available on BSE and NSE website)

11.9 Registrars & Transfer Agent

(Share transfer and communication regarding share certificates, dividends and change of address)

Mr. N. Mahadevan Iyer,
 Link Intime India Pvt. Ltd.
 (formerly known as Intime Spectrum Registry Ltd.)
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
 E-Mail: sunpharma@linkintime.co.in
 rnt.helpdesk@linkintime.co.in

11.10 Share Transfer System

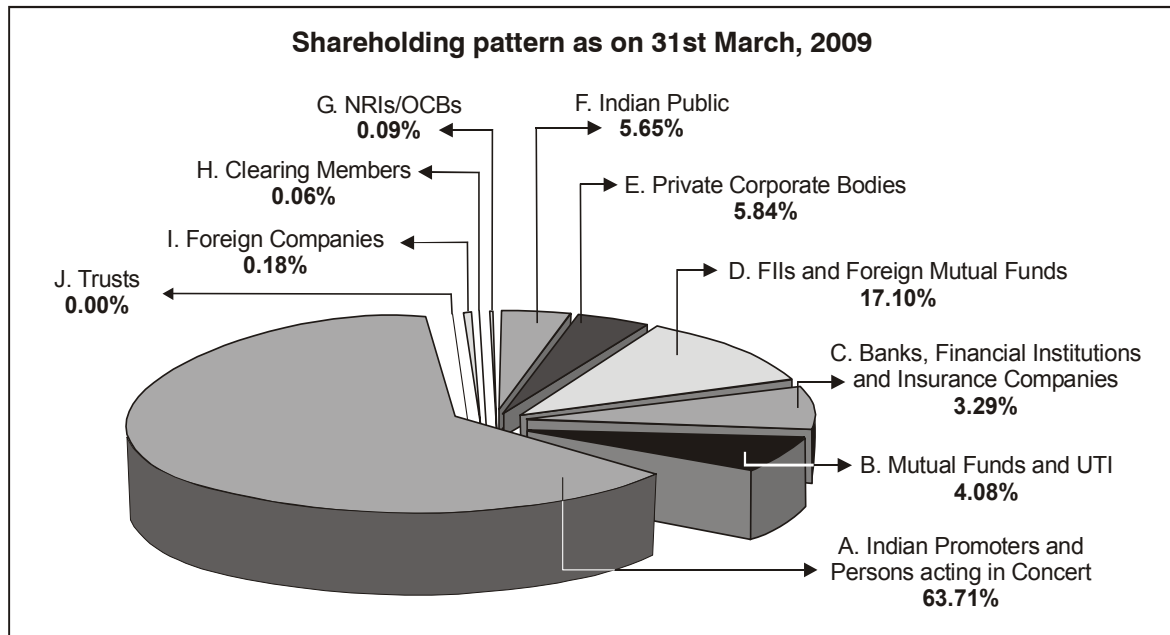
Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects and confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) expeditiously.

11.11 Distribution of Shareholding as on March 31, 2009

No. of Equity Shares held	No. of Accounts		Shares of face value Rs.5 each/-	
	Numbers	% to total accounts	Number	% to total shares
Upto 500	36170	91.48	3938665	1.90
501 - 1000	2319	5.86	2893112	1.40
1001 - 2000	323	0.82	915095	0.44
2001 - 3000	114	0.29	578218	0.28
3001 - 4000	66	0.17	462613	0.22
4001 - 5000	61	0.15	551034	0.27
5001 - 10000	114	0.29	1629336	0.79
10001 and above	372	0.94	196148318	94.70
Total	39539	100.00	207116391	100.00



11.12 (a) Shareholding Pattern as on 31st March, 2009 of Equity Shares as per Clause 35 of the Listing Agreement.



Particulars	Percentage	No. of Shares
A. Indian Promoters and Persons acting in Concert	63.71 %	131,961,952
B. Mutual Funds and UTI	4.08 %	8,444,309
C. Banks Financial Institutions and Insurance Companies	3.29 %	6,800,973
D. FIs and Foreign Mutual Funds	17.10 %	35,407,469
E. Private Corporate Bodies	5.84 %	12,102,522
F. Indian Public	5.65 %	11,704,633
G. NRIs	0.09 %	186,968
H. Clearing Members	0.06 %	129,167
I. Foreign Companies	0.18 %	375,069
J. Trusts	0.00 %	3,329
Total	100.00 %	207,116,391

11.13 Dematerialisation of Shares

About 99.06% of the outstanding Equity shares have been de-materialised up to 31st March, 2009. Trading in Shares of the Company is permitted only in de-materialised form w.e.f. 29th November, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

Liquidity:

Your Company's equity shares are fairly liquid and are actively traded on The Bombay Stock Exchange Ltd.(BSE), and National Stock Exchange of India Ltd., (NSE). Relevant data for the **average daily turnover** for the financial year 2008-2009 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	49.851	326.796	376.647
In value terms (Rs. Millions)	61.982	406.889	468.871

(Source: Compiled from data available on BSE and NSE website)

**11.14 Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

The Company has not issued any GDRs/ ADRs / warrants or any other convertible instruments and the FCCBs issued by the Company had been fully converted into Equity Shares and no FCCB is outstanding.

11.15 Plant locations :

1. Plot No.214 and 20, Govt. Industrial Area, Phase-II, Piparia, Silvassa – 396 230.
2. Plot No.223, Span Industrial Complex, Near R.T.O. Check Post, Dadra – 396 191 (U.T)
3. Plot No.25 and No.24/2, GIDC, Phase- IV, Panoli – 395 116.
4. A-7 & A-8, MIDC Industrial Area, Ahmednagar – 414 111.
5. Plot No. 4708, GIDC, Ankleshwar – 393 002.
6. Sathammai Village, Karunkuzhi Post, Madurnthakam T.K. Kanchipuram Dist. Tamilnadu – 603 303.
7. Halol-Baroda Highway, Halol, Gujarat – 389350.
8. Plot No. 817/A, Karkhadi – 391 450, Taluka: Padra, Distt. Vadodara.

11.16 Investor Correspondence

- (a) For transfer/dematerialisation of Shares, payment of dividend on Shares, and any other query relating to the shares of the Company

For Shares held in Physical Form

Mr. N. Mahadevan Iyer,
Link Intime India Pvt. Ltd.,
(formerly known as Intime Spectrum Registry Ltd.)
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai – 400 078.
E-Mail: sunpharma@linkintime.co.in
rnt.helpdesk@linkintime.co.in
Tel: 022-25963838, Fax : 022- 25946969

For Shares held in Demat Form

To the Depository Participant.

- (b) E-mail id designated by the Company for Investor Complaints.

secretarial@sunpharma.com

- (c) Any query on Annual Report

Mr.Kamlesh H. Shah/ Mr.Ashok I. Bhuta/ Ms. Mira Desai,
17-B, Mahal Industrial Estate Mahakali Caves Road,
Andheri (East), Mumbai – 400 093.
kamlesh.shah@sunpharma.com
ashok.bhuta@sunpharma.com
mira.desai@sunpharma.com

For and on behalf of the Board

DILIP S. SHANGHVI

Chairman & Managing Director

SUDHIR V. VALIA

Whole - Time Director

SAILESH T. DESAI

Whole - Time Director

Place: Mumbai,
Date: June 20, 2009



ANNEXURE TO CORPORATE GOVERNANCE FOR THE YEAR ENDED 31st MARCH, 2009

DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT

I, Dilip S. Shanghvi, Chairman & Managing Director of Sun Pharmaceutical Industries Limited ("the Company") hereby declare that, to the best of my information, all the Board Members and Senior Management Personnel of the Company have affirmed their compliance and undertaken to continue to comply with the Code of Conduct laid down by the Board of Directors of the Company for Board members and senior management.

For Sun Pharmaceutical Industries Ltd.,

Dilip S. Shanghvi

Chairman & Managing Director

Date: June 20, 2009.

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To The Members of Sun Pharmaceutical Industries Limited,

We have examined the compliance of conditions of Corporate Governance by Sun Pharmaceutical Industries Limited, for the year ended on March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants

Place: Mumbai
Date: June 20, 2009

K. A. Katki
Partner
(Membership No. 038568)



Auditors' Report to the Board of Directors of Sun Pharmaceutical Industries Limited

1. We have audited the attached Consolidated Balance Sheet of Sun Pharmaceutical Industries Limited Group as at March 31, 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Sun Pharmaceutical Industries Limited management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
 - a. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. 27,711.3 Million as at March 31, 2009, total revenues of Rs.17,978.0 Million and net cash inflow amounting to Rs. 1,392.5 Million for the year then ended as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us by the management of the Group, and our opinion is based solely on the reports of other auditors.
 - b. As stated in Note B1 of Schedule 20, the consolidated financial statements includes the financial statements of certain subsidiaries, which we did not audit, whose financial statements reflects the Groups share of assets (net) of Rs. 288.5 Million as at March 31, 2009, total revenues of Rs. 246.5 Million and net cash outflow amounting to Rs. 17.5 Million. These unaudited financial statements are prepared on the basis of audited financial statements for the year ended December 31, 2008 and the unaudited financial statements for the quarter ended March 31, 2008 and March 31, 2009, provided by the management of those subsidiaries. We have relied upon the unaudited financial statements as provided by the management of those subsidiaries for the purpose of our examination of consolidated financial statements.
4. We report that the consolidated financial statements have been prepared by the Sun Pharmaceutical Industries Limited management in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements as notified by Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and read together with our remarks in Paragraph 3 above, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Sun Pharmaceutical Industries Limited Group as at March 31, 2009;
 - b. in the case of the Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
 - c. in the case of the Consolidated Cash Flow statement, of the Cash Flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
Partner

(Membership No. 038568)

Place: Mumbai
Date: May 30, 2009

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009**

	Schedules	As at 31st March, 2009		As at 31st March, 2008	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,035.6		1,035.6	
Reserves and Surplus	2	69,413.6	70,449.2	48,879.0	49,914.6
Minority Interest			1,970.4		1,885.7
Loan Funds					
Secured Loans	3	363.8		368.1	
Unsecured Loans	4	1,425.1	1,788.9	1,068.2	1,436.3
Deferred Tax Liability (Net)	5 (a)		1,227.9		1,178.2
Total			75,436.4		54,414.8
APPLICATION OF FUNDS					
Fixed Assets	6				
Gross Block		21,476.1		15,960.4	
Less: Depreciation/Amortisation/Impairment		6,850.7		5,606.8	
Net Block		14,625.4		10,353.6	
Capital Work-in-Progress (including advances on capital account)		1,571.0	16,196.4	686.0	11,039.6
Goodwill on Consolidation (Refer Note B.6 of Schedule 20)			3,253.4		1,729.3
Investments	7		18,594.9		7,560.3
Deferred Tax Assets (Net)	5 (b)		1,906.9		1,086.6
Current Assets, Loans and Advances					
Inventories	8	9,757.0		7,727.7	
Sundry Debtors	9	8,810.9		14,176.7	
Cash and Bank Balances	10	16,690.3		12,388.7	
Other Current Assets	11	441.3		319.6	
Loans and Advances	12	6,983.4		4,759.3	
		42,682.9		39,372.0	
Less: Current Liabilities and Provisions	13				
Current Liabilities		3,767.1		3,722.1	
Provisions		3,431.0		2,650.9	
		7,198.1		6,373.0	
Net Current Assets			35,484.8		32,999.0
Total			75,436.4		54,414.8

SIGNIFICANT ACCOUNTING POLICIES AND**NOTES TO THE FINANCIAL STATEMENTS**

20

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants**DILIP S. SHANGHVI**
Chairman & Managing Director**SUDHIR V. VALIA**
Wholetime Director**K. A. KATKI**
Partner**KAMLESH H. SHAH**
Company Secretary**SAILESH T. DESAI**
Wholetime Director

Mumbai, 30th May, 2009

Mumbai, 30th May, 2009

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009**

	Schedules	Year ended 31st March, 2009		Year ended 31st March, 2008	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
INCOME					
Income from Operations					
Gross Sales		43,750.6		34,605.6	
Less : Excise Duty		1,027.6		1,040.3	
Net Sales		42,723.0		33,565.3	
Other Income	14	2,085.1	44,808.1	1,451.3	35,016.6
EXPENDITURE					
Cost of Materials / Goods	15	8,556.2		7,221.7	
Indirect Taxes	16	889.8		656.0	
Personnel Cost	17	3,401.2		2,331.3	
Operating and Other Expenses	18	8,137.7		5,119.9	
Research and Development Expenditure	19	3,098.6		2,725.2	
Depreciation / Amortisation / Impairment		1,232.9	25,316.4	968.6	19,022.7
PROFIT BEFORE TAXATION			19,491.7		15,993.9
Provision for Taxation - Current Tax			1,176.6		1,272.6
- Deferred Tax (Credit) (Net)			(480.7)		(803.5)
- Fringe Benefit Tax			15.7		15.7
PROFIT AFTER TAX			18,780.1		15,509.1
Minority Interest			602.8		640.1
PROFIT FOR THE YEAR AFTER TAX AND MINORITY INTEREST			18,177.3		14,869.0
BALANCE OF PROFIT BROUGHT FORWARD			20,559.4		11,251.3
AMOUNT AVAILABLE FOR APPROPRIATIONS			38,736.7		26,120.3
APPROPRIATIONS					
Proposed Dividend					
Equity Shares		2,847.9		2,174.7	
Dividend on Preference Shares		—		0.5	
Corporate Dividend Tax		484.0		372.0	
Proposed Dividend and Dividend distribution tax written back		(117.0)	3,214.9	—	2,547.2
Transfer to General Reserve		4,500.0		3,000.0	
Transfer to Capital Redemption Reserve on Redemption of Preference Capital		—	4,500.0	13.7	3,013.7
BALANCE OF PROFIT CARRIED TO BALANCE SHEET			31,021.8		20,559.4
EARNINGS PER SHARE (Refer Note B.9 of Schedule 20)					
Basic (Rs.)		87.8		74.7	
Diluted (Rs.)		87.8		71.8	
Face value per Equity share-Rs. 5					

SIGNIFICANT ACCOUNTING POLICIES AND**NOTES TO THE FINANCIAL STATEMENTS**

20

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants**K. A. KATKI**
Partner

Mumbai, 30th May, 2009

KAMLESH H. SHAH
Company Secretary**DILIP S. SHANGHVI**
Chairman & Managing Director**SUDHIR V. VALIA**
Wholetime Director**SAILESH T. DESAI**
Wholetime Director

Mumbai, 30th May, 2009

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
A. Cash Flow From Operating Activities:		
Net Profit Before Tax	19,491.7	15,993.9
Adjustments for:		
Depreciation / Amortisation / Impairment	1,232.9	968.6
Interest Expense	57.8	87.6
Interest Income	(1,275.2)	(1,234.5)
Dividend Income Rs. 13,300 (Previous Year Rs. 13,300)	(0.0)	(0.0)
(Profit)/Loss On Fixed Assets Sold (net)	8.1	6.4
(Profit)/Loss on sale of Investments	(263.7)	(131.3)
Provision for Doubtful Debts	9.5	27.6
Sundry balance / bad debts written off / back (net)	23.6	(12.2)
Provision for employee benefits	(7.1)	26.4
Unrealised Foreign Exchange Loss	4,031.8	476.6
Operating Profit Before Working Capital Changes	23,309.4	16,209.1
(Increase)/Decrease in Sundry Debtors	3,506.7	(7,380.9)
Increase in Other Receivables	(1,388.2)	(1,884.6)
Increase in Inventories	(2,029.3)	(1,083.0)
Increase/(Decrease) in Trade and Other Payables	(58.0)	1,010.8
Cash Generated From Operations	23,340.6	6,871.4
Taxes Paid (Net of TDS and Refund)	(1,689.9)	(1,821.7)
Net Cash Generated From Operating Activities	21,650.7	5,049.7
B. Cash Flow From Investing Activities:		
Purchase of Fixed Assets / Capital Work in Progress / Capital Advance	(6,101.0)	(2,023.5)
Proceeds From Sale of Fixed Assets	201.3	28.2
Proceeds From Sale of Investments	54,596.8	29,930.8
Purchase of Investments	(64,337.1)	(34,927.8)
Amount paid pursuant to demerger	—	(244.9)
Loans/Inter Corporate Deposits received back / (given) (net)	(138.1)	18.0
Interest Received	934.6	1,158.8
Dividend Received Rs. 13,300 (Previous Year Rs. 13,300)	0.0	0.0
Net Cash Used In Investing Activities	(14,843.5)	(6,060.4)
C. Cash Flow From Financing Activities:		
Repayment of ECB Loan	(796.4)	—
Redemption of Preference Share Capital	—	(13.7)
Long Term Loan Taken / (Repaid)	197.7	2.9
Short Term Loan Taken / (Repaid)	(11.5)	18.3
Net Asset Financed by Minority Shareholders	(518.1)	808.0
Interest Paid	(77.9)	(88.3)
Borrowing from banks Received / (Repaid)	961.1	(48.0)
Dividend Paid	(2,069.6)	(15.6)
Corporate Dividend Tax Paid	(352.6)	(2.4)
Net Cash (Used) / Generated from Financing Activities	(2,667.3)	661.2
Net Increase/(Decrease) In Cash and Cash Equivalents	4,139.9	(349.5)
Cash and Cash Equivalents as at the beginning of the year	12,433.1	12,782.6
Cash and Cash Equivalents as at the year end	16,573.0	12,433.1

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Year ended 31st March, 2009 Rs in Million	Year ended 31st March, 2008 Rs in Million
Cash and Cash Equivalents Comprise:		
Cash and Cheques in hand and balances with Scheduled /		
Other banks (Refer Schedule 10 to the Financial Statements)	16,690.3	12,388.7
Unrealised exchange (Gain) / Loss	(117.3)	44.4
Cash and Cash Equivalents as restated as at the year end	16,573.0	12,433.1

Notes:

- 1 Cash and cash equivalents includes Rs.18.6 Million (Previous Year Rs.13.8 Million) on account of Unclaimed dividend, which are not available for use by the Company.
- 2 During the year, Investment of Rs 2,037.2 Million (Previous Year Rs.Nil), has been assigned in favour of the company in satisfaction of receivables and being a non cash transaction has been excluded from the cash flow statement.
- 3 Previous year's figures are regrouped / reclassified wherever necessary in order to confirm to current year's groupings and classifications.

As per our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants**K. A. KATKI**
Partner
Mumbai, 30th May, 2009**KAMLESH H. SHAH**
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director**SUDHIR V. VALIA**
Wholetime Director**SAILESH T. DESAI**
Wholetime Director
Mumbai, 30th May, 2009



SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 1 : SHARE CAPITAL				
Authorised				
300,000,000 (Previous Year 295,000,000) Equity Shares of Rs.5 each.		1,500.0		1,475.0
Nil (Previous Year 25,000,000) Preference Shares of Re.1 each (Refer Note B.12 of Schedule 20)		—		25.0
		1,500.0		1,500.0
Issued, Subscribed and Paid Up				
207,116,391 (Previous Year 207,116,391) Equity Shares of Rs. 5 each		1,035.6		1,035.6
		1,035.6		1,035.6

Notes:

Of the above :

- 161,630,010 Equity shares were allotted as fully paid Bonus Shares by capitalisation of Securities Premium Account, Profit and Loss Account, Amalgamation Reserve and Capital Redemption Reserve Account, without payment being received in cash.
- 413,633; 208,000; 477,581; 11,438; 18,519 and 19,771 Equity Shares of Rs.10 and 4274 Equity Shares of Rs. 5 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd, M.J.Pharmaceuticals Ltd and Phlox Pharmaceuticals Ltd. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.
- 187,177,232 6% Cumulative Redeemable Preference Shares of Re.1 each allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. During the year Nil (Previous Year 13,740,030) Preference shares were redeemed at par. With this all Preference Shares stands fully redeemed.
- 21,600,761 Equity Shares of Rs. 5 each were allotted to the holders of Zero Coupon Foreign Currency Convertible Bond on exercise of conversion option.

SCHEDULE 2 : RESERVES AND SURPLUS

Capital Reserve				
As per last Balance Sheet		259.1		259.1
Securities Premium Account				
As per last Balance Sheet	15,099.1		5,165.9	
Add : Received during the year	—	15,099.1	9,933.2	15,099.1
Capital Redemption Reserve				
As per last Balance Sheet	154.5		140.8	
Add : Transferred from Profit and Loss Account	—	154.5	13.7	154.5
General Reserve				
As per last Balance Sheet	12,944.3		9,944.3	
Add : Transferred from Profit and Loss Account	4,500.0	17,444.3	3,000.0	12,944.3
Currency Fluctuation Reserve on Consolidation				
As per last Balance Sheet	(137.4)		(14.2)	
Additions during the Year	5,572.2	5,434.8	(123.2)	(137.4)
Surplus as per Profit and Loss Account		31,021.8		20,559.4
		69,413.6		48,879.0

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 3 : SECURED LOANS				
Short Term Loan from Banks (Refer Note B.7 of Schedule 20)		353.0		368.1
Others-Bank Overdraft (Refer Note B.7 of Schedule 20)		10.8		—
		<u>363.8</u>		<u>368.1</u>
SCHEDULE 4 : UNSECURED LOANS				
Long Term				
External Commercial Borrowing in foreign currency from Banks *	—		796.4	
Other Loans	203.2	203.2	5.5	801.9
	<u>203.2</u>	<u>203.2</u>	<u>5.5</u>	<u>801.9</u>
Short Term				
From Banks	1,209.0		243.7	
Others	12.9	1,221.9	22.6	266.3
	<u>1,221.9</u>	<u>1,425.1</u>	<u>266.3</u>	<u>1,068.2</u>

* includes repayable within one year Rs. Nil (Previous Year Rs.796.4 Million)

SCHEDULE 5 : DEFERRED TAX BALANCES

(a) Deferred Tax Liabilities (Net)				
(i) Depreciation on Fixed Assets		1,287.8		1,244.6
(ii) Unpaid Liabilities		(33.4)		(30.6)
(iii) Others		(26.5)		(35.8)
		<u>1,227.9</u>		<u>1,178.2</u>
(b) Deferred Tax Asset (Net)				
(i) Depreciation on Fixed Assets		894.1		572.0
(ii) Unabsorbed Loss		833.9		499.8
(iii) Others		178.9		14.8
		<u>1,906.9</u>		<u>1,086.6</u>

SCHEDULE 6 : FIXED ASSETS

Particulars	Gross Block (At Cost)					Depreciation / Amortisation / Impairment					Net Block	
	As At	Consolidation	Additions	Deletions /	As at	As at	Consolidation	For the year	Deletions /	As at	As at	As at
	01.04.08	Adjustment	08-09	Adjustment	31.03.09	01.04.08	Adjustment	08-09	Adjustment	31.03.09	31.03.09	31.03.08
I. TANGIBLE ASSETS												
Freehold Land	109.7	8.7	27.4	0.4	145.4	—	—	—	—	—	145.4	109.7
Leasehold Land	46.7	—	27.1	—	73.8	3.6	—	0.5	—	4.1	69.7	43.1
Buildings	4,323.4	51.1	1,265.8	25.4	5,614.9 @	907.6	(10.3)	125.4	0.8	1,021.9	4,593.0	3,415.8
Plant and Machinery	9,807.8	263.3	2,791.9	208.2	12,654.8	4,075.3 ©	64.8	900.1	36.9	5,003.3	7,651.5	5,732.5
Vehicles	150.8	(1.9)	82.0	32.1	198.8	67.2	(1.8)	19.7	19.9	65.2	133.6	83.6
Furniture and Fixtures	368.1	15.3	68.3	2.7	449.0	154.3	3.1	28.0	1.8	183.6	265.4	213.8
Sub-Total I	14,806.5	336.5	4,262.5	268.8	19,136.7	5,208.0	55.8	1,073.7	59.4	6,278.1	12,858.6	9,598.5
II. INTANGIBLE ASSETS												
Trademarks, Designs and other Intangible Assets	1,153.9	136.0	1,049.5	—	2,339.4	398.8	14.6	159.2	—	572.6	1,766.8	755.1
Sub-Total II	1,153.9	136.0	1,049.5	—	2,339.4	398.8	14.6	159.2	—	572.6	1,766.8	755.1
TOTAL I + II	15,960.4	472.5	5,312.0	268.8	21,476.1	5,606.8	70.4	1,232.9	59.4	6,850.7	14,625.4	10,353.6
Previous Year	14,251.8	(128.0)	1,949.4	112.8	15,960.4	4,737.5	(21.1)	968.6	78.2	5,606.8	10,353.6	
Capital Work-in-Progress (including advances on capital account)											1,571.0	686.0
											16,196.4	11,039.6

NOTES :

- @ Buildings include Rs. 8,620 (Previous Year Rs 8,620) towards cost of shares in a Co-operative Housing Society.
- Capital work-in-progress (including advances on Capital Account) includes Rs. 22.2 Million (Previous Year Rs 19.4 Million) on account of preoperative expenses
- © Includes Rs.13.5 million on account of Impairment.



SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 7 : INVESTMENTS				
(I) LONG TERM INVESTMENTS (At Cost)				
A) Government Securities				
National Savings Certificates Rs. 15,000 (Previous Year Rs. 65,000) (Deposited with Government Authorities)		0.0		0.1
B) Trade Investments				
Unquoted				
In Equity Shares				
Enviro Infrastructure Co. Ltd. 100,000 (Previous Year 100,000) Shares of Rs. 10 each fully paid up.		1.0		1.0
C) Other Investments				
a) In Bonds				
Quoted				
US64 Bonds NIL (Previous Year 399,734) units of Rs 100 each Market Value Rs. NIL Million(Previous Year Rs 40.2 Million)		—		42.2
Unquoted				
National Housing Bank Bonds 2,180 (Previous Year 2,180) Units of Rs.10,000 each fully paid		21.8		21.8
Rural Electrification Corporation Ltd. Bonds 500 (Previous Year 985) Units of Rs.10,000 each fully paid		5.0		9.9
Barclays Investments & Loans (India) 250 (Previous Year Nil) Units of Rs.1,000,000 each fully paid		250.0		—
HDFC Bank Ltd 250 (Previous Year Nil) Units of Rs.1,000,000 each fully paid		250.0		—
Deutsche Bank Ag, London 2,500,000 (Previous Year 2,500,000) notes of USD 100 each (Refer Note B. 14 of Schedule 20)		1,271.3		995.5
b) In Equity Shares				
Quoted				
Taro Pharmaceutical Industries Ltd. 14,356,427 (Previous year 13,558,557) [Ordinary Shares of NIS 0.0001 each (Market Value \$ 9)] [Market value Rs.6,532.7 Million (Previous Year Rs.4,219.6 Million)] (Refer Note B. 13 of Schedule 20)		5,299.1		3,878.8
Impax Laboratories Inc.2,868,623 Shares (Previous year 2,868,623) [Nominal Value per Share \$0.01 each (Market Value \$ 5.24)] [Market Value Rs.759.9 Million (Previous year Rs.1,064.5 Million)]		1,242.1		980.4
Ista Pharmaceuticals Inc. 61,628 (Previous Year – Nil)) Units [Market Value Rs. 5.4 Million (Previous Year Rs. NIL Million)]		3.3		—
Unquoted				
Tivabusz Kft NIL (Previous Year Business Shares of 9,450,000 Huf)		—		0.7
Reanal Rt. (3,441 (Previous Year 3,441) Shares of Face Value 10,000 Huf fully paid)		173.9		193.8
Ramin Developers Pvt. Ltd. NIL (Previous Year 200) Shares of Rs. 100 each fully paid (pending registration)		—		2.1
c) In Mutual Fund (Units of Face Value of Rs. 10/- Each)				
Unquoted				
DBS Cholamandalam Asset Management-C296 DBS Chola FMP Series 9(13Months Plan)-Institutional-Cumulative 20,000,000 (Previous Year Nil) Units		200.0		—
HDFC Mutual Fund-5461/HDFC FMP 370D JUNE 2008(VIII)(2)-Wholesale Plan Growth 25,000,000 (Previous Year Nil) Units		250.0		—
UTI-Fixed Term Income Fund Series V-I (13 Months)-Institutional Growth Plan 50,000,000 (Previous Year Nil) Units		500.0		—
Lotus Mutual Fund- Z411G FMP-16 Month-Series I-Ins-Growth Nil (Previous Year 5,000,000) Units		—		50.0
Somerset India Fund (1,058,452 (Previous Year – 850,000) Units		910.1		419.0
Total (I)		10,377.6		6,595.3

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
(II) CURRENT INVESTMENTS (At lower of cost and Net realisable value)				
Unquoted				
In Mutual Fund (Units of Face Value of Rs. 10/- Each)				
Birla Sun Life Mutual Fund - Birla Cash Plus-Instl.Prem-Growth		1,500.0		465.0
106,657,565 (Previous Year 36,008,549) Units				
Deustshe Mutual Fund-DWS Insta Cash Plus Fund Super Instl-Growth		1,000.0		500.0
87,592,520 (Previous Year 47,733,152) Units				
Deustshe Mutual Fund-DWS FTF - Series 51 - IP- Growth		211.2		—
200,000,000 (Previous Year - NIL) Units				
Fidelity International -Fidelity Ultra Short Term Debt Fund Super Instl-Growth		150.0		—
13,220,012 (Previous Year Nil) Units				
ICICI Prudential Mutual Fund-311SG ICICI Prudential Institutional Liquid Plan		1,000.0		—
Super Instituonal Growth				
77,001,263 (Previous Year Nil) Units				
DBS Cholamandalam Asset Management-C122 DBS Chola Freedom Income		500.1		—
STP-Inst-Cum-Org				
35,415,651 (Previous Year Nil) Units				
Religare Mutual Fund-Religare Liquid Fund-Super Institutional Growth		500.0		—
41,370,523 (Previous Year Nil) Units				
HDFC Mutual Fund-3017/HDFC Liquid Fund-Premium Plus Plan-Growth		1,030.0		—
58,322,575 (Previous Year Nil) Units				
SBI Mutual Fund-L031SBI-Magnum Insta Cash Fund-Cash Option		500.0		—
25,454,490 (Previous Year Nil) Units				
UTI Mutual Fund - UTI FTIF - Series IV - Plan 10 - IP - Growth		270.1		—
250,000,000(Previous Year NIL) Units				
Reliance Mutual Fund - Reliance FHF 9 -Series 6 - IP- Growth		215.4		—
200,000,000(Previous Year NIL) Units				
Sundaram BNP Paribas Mutual Fund - FTP		161.7		—
Plan H 13 months - IP - Growth 150,000,000 (Previous Year NIL) Units				
Principal Mutual Fund - Principal PNB FMP - Series VIII - IP - Growth		160.5		—
15,000,000(Previous Year NIL) Units				
HDFC Mutual Fund - HDFC FMP - 2 - WP - Growth		267.9		—
25,000,000(Previous Year NIL) Units				
DBS Cholamandalam Mutual Fund - DBS Chola FMP - Series 9 - IP - Growth		211.9		—
20,000,000(Previous Year NIL) Units				
HSBC Mutual Fund - HSBC FTS - 59 - IP Growth		538.5		—
50,000,000(Previous Year NIL) Units				
Total (II)		8,217.3		965.0
Total (I + II)		18,594.9		7,560.3

AGGREGATE VALUE OF INVESTMENT	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Quoted	6,544.5	7,298.0	4,901.5	5,324.3
Unquoted	12,050.4		2,658.8	

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 8 : INVENTORIES				
Consumables Stores		139.6		148.3
Stock in Trade				
Raw Materials	5,148.0		4,229.7	
Packing Materials	489.7		307.3	
Finished Goods	1,510.9		881.4	
Work-in-Progress	2,468.8	9,617.4	2,161.0	7,579.4
		9,757.0		7,727.7

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2009		As at 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 9 : SUNDRY DEBTORS				
(Unsecured-Considered Good, unless stated otherwise)				
Over Six Months				
Considered Good		964.4		498.7
Considered Doubtful	64.9	—	92.4	—
Less: Provision for Doubtful Debts	64.9	—	92.4	—
Other Debts		7,846.5		13,678.0
		8,810.9		14,176.7
SCHEDULE 10 : CASH AND BANK BALANCES				
Cash / Cheques on hand		6.2		3.5
Balances with Banks in :				
Scheduled Banks				
Current Accounts	211.7		230.9	
Deposit Accounts [Pledged Rs. 30.3 Million (Previous Year Rs. 1.8 Million)]	12,059.7	12,271.4	9,173.5	9,404.4
Other Banks				
Current Accounts	3,604.6		2,436.0	
Deposit Accounts	808.1	4,412.7	544.8	2,980.8
		16,690.3		12,388.7
SCHEDULE 11 : OTHER CURRENT ASSETS				
Interest accrued on - Investments		65.8		9.1
- Deposits		375.5		310.5
		441.3		319.6
SCHEDULE 12 : LOANS AND ADVANCES				
(Unsecured – Considered Good, unless stated otherwise)				
Loan to Employees / Others {Secured Loans Rs.160.0 Million (Previous Year Rs. Nil)}				
Considered Good		2,404.6		736.7
Considered Doubtful	9.5		9.5	
Less : Provision for Doubtful Advances	9.5	—	9.5	—
Advances Recoverable in Cash or in Kind or for Value to be received		755.6		1,189.8
Advances to Suppliers		561.5		527.3
Balances with Central Excise and Customs		1,050.3		837.5
DEPB and Advance Licence		131.3		131.2
Other Deposits		102.9		77.5
Advance Payment of Income Tax (Net of Provision)		1,977.2		1,259.3
		6,983.4		4,759.3
SCHEDULE 13 : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
Due to Micro and Small Enterprise	2.1		—	
Others	2,541.3		2,393.4	
Advances from Customers	105.0		62.0	
Security Deposits	18.4		19.3	
Investor Education and Protection Fund shall be credited by				
Unclaimed Dividend (Not Due)	19.5		14.4	
Temporary Overdrawn Bank balance as per Books	1.8		—	
Other Liabilities	1,079.0		1,215.4	
Interest accrued but not due on Loans	—	3,767.1	17.6	3,722.1
		3,767.1		3,722.1
Provisions				
Provision for Fringe Benefit Tax (Net of Advance Tax on FBT)	0.6		1.0	
Proposed Dividend - Equity Shares	2,847.9		2,174.7	
Corporate Dividend Tax	484.0		369.6	
Provision for employee benefits	98.5	3,431.0	105.6	2,650.9
		7,198.1		6,373.0

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 14 : OTHER INCOME				
Lease Rental and Hire Charges		36.3		20.2
Interest Income (Net) (Refer Note B.5 of Schedule 20)		1,216.7		1,146.4
Profit on Sale of Fixed Assets		1.2		0.2
Profit on Sale of Current Investments		263.7		131.3
Sundry Balances Written Back (Net)		—		11.9
Insurance Claims		4.8		6.5
Dividend Income Rs.13,300 (Previous Year Rs.13,300)		0.0		0.0
Miscellaneous Income		562.4		134.8
		<u>2,085.1</u>		<u>1,451.3</u>
SCHEDULE 15 : COST OF MATERIALS / GOODS				
Inventories of Raw & Packing material at the beginning of the year	4,537.0		2,649.9	
Purchases during the year - Raw & Packing Material	10,024.9		7,921.3	
- Finished goods	569.3		490.8	
Inventories of Raw & Packing Material at the end of the year	<u>(5,637.7)</u>	9,493.5	<u>(4,537.0)</u>	6,525.0
Inventories of Finished Goods and WIP at the beginning of the year	3,042.4		3,739.1	
Inventories of Finished Goods and WIP at the end of the year	<u>(3,979.7)</u>		<u>(3,042.4)</u>	
(Increase) / Decrease of Finished Goods and Work -in- progress		<u>(937.3)</u>		696.7
		<u>8,556.2</u>		<u>7,221.7</u>
SCHEDULE 16 : INDIRECT TAXES				
Sales Tax		889.8		656.0
		<u>889.8</u>		<u>656.0</u>
SCHEDULE 17 : PERSONNEL COST				
Salaries, Wages, Bonus and Benefits		2,895.2		1,902.3
Contribution to Provident and Other Funds		331.1		282.6
Staff Welfare Expenses		174.9		146.4
		<u>3,401.2</u>		<u>2,331.3</u>
SCHEDULE 18 : OPERATING AND OTHER EXPENSES				
Stores and Spares Consumed		525.1		330.9
Manufacturing Charges		512.5		391.9
Power and Fuel		977.7		600.2
Rent		79.1		37.8
Rates and Taxes		66.1		39.7
Insurance		253.6		168.5
Selling and Distribution		1,998.5		1,611.4
Commission and Discount		295.2		240.5
Repairs				
Building	71.8		48.2	
Plant and Machinery	313.8		219.8	
Others	<u>126.4</u>	512.0	<u>88.0</u>	356.0
Printing and Stationery		44.5		57.7
Travelling and Conveyance		135.9		157.2
Overseas Travel and Export Promotion		702.5		617.7
Communication		63.7		53.1
Provision for doubtful Debts / Advances		9.5		27.6
Sundry Balances/Bad Debts Written Off (Net)	61.4		—	
Less :- Adjusted out of Provision for earlier years.	<u>37.0</u>	24.4	<u>—</u>	—
Professional and Consultancy		740.6		151.8
Donations		101.0		11.5
Loss on Sale of Fixed Assets		5.2		6.3
Excise Duty on Stock (*)		<u>(72.2)</u>		<u>(37.9)</u>
Auditors' Remuneration				
Audit Fees	26.5		20.1	
Other Services	0.1		0.2	
Out of Pocket Expenses	<u>0.1</u>	26.7	<u>0.1</u>	20.4
Miscellaneous Expenses		<u>1,136.1</u>		<u>277.6</u>
		<u>8,137.7</u>		<u>5,119.9</u>

(*) represents the difference between excise duty on opening and closing stock of finished goods.

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 19 : RESEARCH AND DEVELOPMENT EXPENDITURE				
Salaries, Wages, Bonus and Benefits		891.4		630.8
Contribution to Provident and Other Funds		69.9		52.3
Staff Welfare Expenses		36.1		27.5
Raw Material, Stores and Spares Consumed		771.5		703.5
Power and Fuel		64.2		53.4
Rates and Taxes		51.9		13.4
Rent		22.5		56.6
Insurance		47.8		47.0
Repairs				
Building	21.8		16.2	
Plant and Machinery	103.8		50.7	
Others	51.8	177.4	55.9	122.8
Printing and Stationery		14.6		14.5
Travelling and Conveyance		15.0		14.6
Communication		18.4		18.8
Professional and Consultancy		645.1		777.0
Loss on Sale of Fixed Assets		4.1		0.3
Miscellaneous Expenses		292.7		257.3
		3,122.6		2,789.8
Less :				
Interest Income	0.7		0.5	
Misc. Income	22.5		63.8	
Bad Debts Recovered / Sundry balances written Back	0.8		0.3	
		24.0		64.6
		3,098.6		2,725.2

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (CONSOLIDATED)****SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS****A SIGNIFICANT ACCOUNTING POLICIES:****1. Basis of Consolidation:****(i) Basis of preparation:**

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated financial statements as notified by Companies (Accounting Standards) Rules, 2006. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Sun Pharmaceutical Industries Limited or any of its subsidiaries, unless otherwise stated.

(ii) Principles of consolidation:

The consolidated financial statements comprise of the financial statements of Sun Pharmaceutical Industries Limited and its subsidiaries. The financial statements of the group Companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter Company transactions are eliminated on consolidation.

(iii) Goodwill / Capital Reserve

Goodwill represents the difference between the Company's share in the net worth of subsidiaries, and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the Company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation is adjusted against Goodwill. The Goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

2. Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

3. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the year. Difference between the actual result and estimates are recognised in the year in which the results are known / materialised.

4. Fixed Assets and Depreciation / Amortization

Fixed Assets including Intangible assets are stated at historical cost (Net of cenvat credit) less accumulated depreciation / amortization thereon and impairment losses, if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956 except for Caraco, Alkaloida Chemical Company Exclusive Group Limited, Sun Farmaceutica Ltda Brazil and Sun Pharmaceutical Industries Inc depreciation is computed using the Straight Line Method over the estimated useful lives of the related assets, which ranges from 3 to 100 years.

Intangible assets consisting of trademarks, designs, technical know-how, non compete fees and other intangible assets are amortized on Straight Line Method from the date they are available for the use, at the rates as estimated by the Management, which ranges from 3 to 20 years.

5. Leases

Assets acquired on finance lease prior to April 1, 2001, are stated at original cost. In consonance with the matching concept, lease terminal adjustment and lease equilisation accounts have been created for the assets given on lease, wherever required.

In case of assets taken on operating lease, the lease rentals are charged to the Profit And Loss Account in accordance with Accounting Standards 19 on leases as notified by Companies (Accounting Standards) Rules, 2006.

At Caraco :

Any lease of property, real or personal, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee.

6. Revenue Recognition

Sales of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Export sales are recognised on the basis of Bill of lading / Airway bill. Sales includes Sales tax, delayed payment charges and are stated net of returns and chargebacks. At Caraco Chargebacks are price adjustments given to wholesale customers selling products further to those parties with whom the Company has established contractual pricing.

7. Investments

Investments are classified into Current and Long Term Investments. Current Investments are valued at lower of cost and fair value. Long Term Investments are stated at cost less provision, if any, for other than temporary diminution in their value.

8. Inventories

Inventories consisting of raw and packing materials, stores and spares, work in progress and finished goods are stated at lower of cost (absorption costing) on FIFO Basis (except for Caraco on specific identification basis) and net realisable value.



9. Research and Development

All revenue expenditure related to Research and Development are charged to the respective heads in the Profit and Loss Account.

10. Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life of the forward contract. The exchange differences arising on settlement / translation are recognised in the Profit and Loss account. Exchange differences relating to monetary items that are in substance forming part of the Company's net investment in non integral foreign operation are accumulated in Currency Fluctuation Reserve on Consolidation Account.

For the purpose of Consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated at the following rates of exchange:

- a. Average rates for income and expenditure.
- b. Year end rates for assets and liabilities.

11. Taxes on Income

Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the prevailing Tax Law. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised, in future. The Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the prevailing Tax Law.

12. Employee Benefits

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.
- (b) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.
- (c) Liability for accumulated compensated absences of employees is ascertained for on actuarial valuation basis and provided for as per company rules.

At Caraco :The Corporation maintains a deferred compensation plan qualified under Section 401 (k) of the Internal Revenue Code. Under this plan, eligible employees are permitted to contribute up to the maximum allowable amount determined by the Internal Revenue Code. The Corporation may make discretionary matching and profit sharing contributions under the provisions of the plan.

13. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

15. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

16. Common/Convertible Preferred Stock Issued

Common/Convertible Preferred Stock is issued by Caraco from time to time in lieu of cash for directors fees and in exchange for fees towards formula for products developed by Parents & its affiliates and is recorded as compensatory expenses/research and development costs respectively.

**B NOTES TO FINANCIAL STATEMENTS:**

1. The Consolidated Financial Statements present the consolidated accounts of Sun Pharmaceutical Industries Ltd with its following subsidiaries/affiliates.

Name of Subsidiaries / Affiliates	Country of Incorporation	Proportion of ownership interest	Year ending of subsidiaries/affiliates	Audited By
Indian Affiliate				
Universal Enterprises (P) Ltd.	India	97.50%	31/03/2009	Valia & Timbadia
Foreign Subsidiaries				
Sun Pharma Global Inc.	British Virgin Islands	100.00%	31/03/2009	H C Shah & Co.
ZAO Sun Pharma Industries Limited	Russia	100.00%	31/12/2008	Best Audit
Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	72.50%	31/03/2009	Ahmed Mashuque & Co.
Caraco Pharmaceutical Laboratories Ltd (CARACO)	United States of America	74.08%	31/03/2009	Rehmann Robson
Sun Farmaceutica Ltda Brazil	Brazil	99.57%	31/03/2009	Peppe Associados Consultores
Sun Pharma De Mexico S.A. DE C.V.	Mexico	75.00%	31/12/2008	Ing. Hector Macias Meana
Sun Pharmaceutical Industries INC.*	United States of America	100.00%	31/03/2009	Martin, Arrington, Desai & Meyers, P.C.
SPIL De Mexico S.A. DE C.V.	Mexico	100.00%	31/12/2008	L.C. Nancy Balderas Jimenez
Alkaloida Chemical Company Exclusive Group Ltd	Hungary	100.00%	31/03/2009	PV Auditor Ltd.
Sun Pharmaceutical Peru S.A.C.	Peru	99.33%	31/12/2008	Luis Enrique Espinoza Figueroa
Sun Pharmaceutical UK Limited	United Kingdom	100.00%	31/03/2009	Anderson Shaw CCA
Sun Pharmaceutical Industries (Australia) Pty. Ltd.	Australia	100.00%	31/03/2009	W A Nutton & associates Pty,
Aditya Acquisition Company Ltd., Israel	Israel	100.00%	31/03/2009	H.C. Timbadia & Co.
Sun Development Corporation I	United States of America	100.00%	31/03/2009	H.C. Timbadia & Co.
Sun Pharmaceutical Industries (Europe) B.V.	The Netherlands	100.00%	31/03/2009	H.C. Timbadia & Co.
OOO "Sun Pharmaceutical Industries" Ltd.	Russia	99.00%	31/03/2009	Best Audit
Sun Pharmaceuticals Italia S.R.L.	Italy	100.00%	31/03/2009	Valia & Timbadia
Sun Pharmaceutical Spain, SL.	Spain	100.00%	31/03/2009	Valia & Timbadia
Sun Pharmaceuticals Germany GmbH	Germany	100.00%	31/03/2009	Valia & Timbadia
Sun Pharmaceuticals France	France	100.00%	31/03/2009	Valia & Timbadia
Sun Pharma Global (FZE)	U.A.E.	100.00%	31/03/2009	KSI Shah & Associates
Sun Pharmaceuticals (SA) (PTY) LTD	South Africa	100.00%	31/03/2009	Valia & Timbadia
Name of Partnership Firm				
Sun Pharmaceutical Industries	India	97.50%	31/03/2009	Deloitte Haskins & Sells
Sun Pharma Exports	India	80.00%	31/03/2009	H.C. Timbadia & Co.
Sun Pharma Sikkim	India	97.50%	31/03/2009	Deloitte Haskins & Sells

Sun Pharma De Mexico S.A. DE C.V., SPIL De Mexico S.A. DE C.V., ZAO Sun Pharma Industries Limited and Sun Pharmaceutical Peru S.A.C. follow calendar year as their accounting year. Accordingly, the audited financial statements of these Companies for the year ended December 31, 2008 are available. For the purpose of this consolidation, the accounts for the financial year April 1, 2008 to March 31, 2009 are considered and are compiled based on the audited financial statements for the year ended December 31, 2008 and the adjustment thereto in respect of the unaudited financial statements for the quarter ended March 31, 2008 and March 31, 2009 which are certified by its Management.

*The figures of Sun Pharmaceutical Industries INC includes the figures of its wholly owned subsidiary Chattem Chemicals, Inc whose results was consolidated with it.

The following subsidiaries (included above) are the newly incorporated entities, for the period ended March 31, 2009.

Name of the Company/firm	Country of Incorporation	Date of Incorporation
Sun Pharmaceuticals Italia SRL	Italy	14/04/2008
Sun Pharmaceutical Spain, SL.	Spain	27/03/2009
Sun Pharmaceuticals Germany GmbH	Germany	26/02/2009
Sun Pharmaceuticals France	France	10/02/2009
Sun Pharma Global (FZE)	U.A.E.	25/11/2008
Sun Pharmaceuticals (SA) (PTY) LTD	South Africa	22/10/2008
Sun Pharma Sikkim	India	15/01/2009

The holding in Caraco as on March 31, 2009 has increased to 74.08% and accordingly the minority interest was considered at 25.92% for the purpose of these financial statements.

The Company is in the process for Liquidation of ZAO Sun Pharma Industries Limited and has appointed Official Liquidator as per the terms of Resolution passed at the General Meeting of the Subsidiary held on October 29, 2002.

Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed when referred from the individual financial statements.



2 a) CONTINGENT LIABILITIES NOT PROVIDED FOR:		As at 31st March, 2009 Rs. In Million	As at 31st March, 2008 Rs. In Million
Guarantees Given by the bankers on behalf of the Company		89.6	120.1
Corporate Guarantees		17.2	4.4
Letters of Credit for Imports		399.6	162.2
Liabilities Disputed - Appeals filed with respect to :			
Income Tax on account of Disallowances / Additions		2,512.2	1,557.1
Sales Tax on account of Rebate / Classification		12.5	29.4
Excise Duty on account of Valuation / Cenvat Credit		242.8	198.7
Service Tax on account of Import of Services		1.9	—
ESIC Contribution on account of applicability		0.2	0.3
Drug Price Equalisation Account [DPEA] on account of demand towards unintended benefit , including interest there on , enjoyed by the Company		14.0	14.0
Demand by JDGFT import duty with respect to import alleged to be in excess of entitlement as per the Advanced Licence Scheme		10.7	10.3
Other Claims against the Company not acknowledged as debts		6.5	3.2
b) Estimated amount of contracts remaining to be executed on Capital Account (Net of Advances)		335.2	235.6
3 As regards consolidation of Accounts of caraco :			
With respect to litigation, Management believes that these are of routine nature and incidental to the business and the ultimate disposition of these matters will not have any material adverse effect on the financial statements.			
4 RESEARCH AND DEVELOPMENT EXPENDITURE INCLUDE:			
On Revenue account		3,098.7	2,725.2
On Capital account		221.7	133.5
5 Net Interest income Rs.1,217.4 Million (Previous Year Rs. 1,146.9 Million) includes :			
Interest income			
Bank Deposits		1,172.8	1,183.4
Loan		96.6	30.2
Others		6.5	20.9
		<u>1,275.9</u>	<u>1,234.5</u>
Interest Expense			
Fixed Loans		54.4	48.8
Others		4.1	38.8
		<u>58.5</u>	<u>87.6</u>
6 Goodwill on consolidation (Net) comprises of:			
Goodwill in respect of			
Caraco Pharmaceutical Laboratories Ltd (Caraco)		4239.3	2,760.0
Sun Pharmaceutica Ltda Brazil		44.8	—
Universal Enterprises (P) Ltd.		7.5	7.5
Total (A)		<u>4,291.6</u>	<u>2,767.5</u>
Less:			
Capital Reserve in respect of :			
Alkaloida Chemicals Company Exclusive Group Ltd.		1,038.2	1,038.2
Total (B)		<u>1,038.2</u>	<u>1,038.2</u>
Total (A-B)		<u>3,253.4</u>	<u>1,729.3</u>
7 Short term loan from Banks taken by the Company are secured by hypothecation of stocks and book debts, with respect to Sun Pharmaceutical Industries INC U.S.A, secured by comfort letter from Sun Pharmaceutical Industries Ltd, and with respect to Sun Pharmaceutical (Bangladesh) Ltd., is secured against Corporate Guarantee by Sun Pharmaceutical Industries Ltd.			
8 Related Party Disclosure - as per Annexure 'A' annexed.			
9 Accounting Standard (AS-20) on Earnings Per Share		Year Ended 31st March, 2009 Rs. in Million	Year Ended 31st March, 2008 Rs. in Million
Profit After Tax		18,780.1	15,509.1
Less : Dividend on Preference Shares		—	0.5
Less : Corporate Dividend Tax on Preference Shares		—	0.1
Less : Minority Interest		602.8	640.1
Profit used as Numerator for calculating Earnings per share		18,177.3	14,868.0
Weighted Average number of Shares used in computing basic earnings per share		207,116,391	199,159,782
Weighted Average number of Shares used in computing diluted earnings per share		207,116,391	207,116,391
Nominal value per share (in Rs.)		5	5
Basic Earnings Per Share (in Rs.)		87.8	74.7
Diluted Earnings Per Share (in Rs.)		87.8	71.8



	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
10 Accounting Standard (AS-17) on Segment Reporting				
a) Primary Segment				
The Company has identified "Pharmaceuticals" as the only primary reportable business segment.				
b) Secondary Segment (By Geographical Segment)				
India		20,649.9		15,650.0
Outside India		23,100.7		18,955.6
Total Sales		43,750.6		34,605.6

In view of the interwoven / intermix nature of business and manufacturing facility, other segmental information is not ascertainable.

- 11** Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are stated at cost of acquisition based on their agreements and are available to the Company in perpetuity. The depreciable amount of intangible assets is arrived, at based on the managements best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Company.
- 12** During the year, in terms of approval by the shareholders of the Company in the Annual General Meeting, the authorised share capital of Rs.1,500.0 Million was reclassified to 300,000,000 Equity Shares of Rs. 5 each.
- 13** Alkaloida Chemical Company Exclusive Group Limited (Alkaloida), a subsidiary of the company has made a strategic investment in Taro Pharmaceutical Industries Limited (Taro) a pharmaceutical company based in Israel and holds 36.4% in the capital of Taro. On May 28, 2008 Alkaloida received a notice from Taro regarding purported termination of the merger agreement between Taro and Aditya Acquisition Company Ltd, an Israeli incorporated subsidiary of Alkaloida. On the same date, Taro and some of its directors had filed for a declaratory judgment in an Israeli court seeking Alkaloida/Sun Pharma to conduct a special tender offer which has been rejected by the Tel-Aviv District Court. The plaintiffs have appealed this decision in the Supreme Court of Israel which has temporarily prohibited closing of the Tender offer until it issues a decision on the appeal. Alkaloida does not foresee any adverse impact on its investment.
- 14** The Company has invested USD 25.0 Million [Rs. 1,271.3 Million] (Previous Year Rs. 995.5 Million) in Credit Linked Notes (CLN) of Deutsche Bank Ag, London. The maturity value of the said notes is dependent on the performance of a reference entity and inter-alia on happening of certain credit events as defined in CLN term sheet. In view of the fact that the said investment is Long Term and that no credit event has arisen as at the balance sheet date, no diminution in value of investment is considered necessary.
- 15** (a) The company has obtained certain premises for its business operations (including furniture and fittings, therein as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 5 years under leave and licences, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.
- (b) Lease receipts/payments are recognised in the Profit and Loss Account under "Rent" in Schedule 14, Schedule 19 and Schedule 20.

(c) Operating lease

Company as lessee

The future minimum lease payments under non-cancellable operating lease

- not later than one year Rs.36.2 Million (Previous year Rs.44.0 Million)
- later than one year and not later than five years Rs.147.2 Million (Previous year Rs.124.0 Million)
- later than five years Rs.150.40 Million (Previous year Rs.161.8 Million)

Company as lessor

The future minimum lease payments under non-cancellable operating lease

- not later than one year Rs. 59.0 Million (Previous year Rs.51.9 Million)
- later than one year and not later than five years Rs.236.2 Million (Previous year Rs.207.5 Million)
- later than five years Rs.27.1 Million (Previous year Rs.127.5 Million)

(d) Finance lease

Company as lessee

The future minimum lease payments under non-cancellable operating lease

- not later than one year Rs.1.4 Million (Previous year Nil)
- later than one year and not later than five years Rs.2.5 Million (Previous year Nil)
- later than five years Nil (Previous year Nil)

16 The following are the outstanding Forward Exchange Contracts entered by the Company as on 31st March, 2009

Currency	Buy/Sell	Cross Currency	As at 31st March, 2009 Amount in Million	As at 31st March, 2008 Amount in Million
US Dollar	Buy	BRL	\$ 20.0	\$ 35.0
US Dollar	Sell	RUPEES	\$ 105.0	—

- 17** As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29, as notified by Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources , which would be required to settle the obligation.
- 18** Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the group financial statements.
- 19** Previous year's figures are restated / regrouped / rearranged wherever necessary in order to confirm to current year's groupings and classifications.

**ANNEXURE 'A' TO NOTES TO FINANCIAL STATEMENTS (CONSOLIDATED)****ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"**

Rs in Million

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
Purchases of goods / DEPB	—	—	—	—	4.5	—	4.5	—
Sun Petrochemical Pvt Ltd	—	—	—	—	4.5	—	4.5	—
Sale of goods / DEPB	—	—	—	—	11.6	7.9	11.6	7.9
Sun Petrochemical Pvt Ltd	—	—	—	—	0.3	0.4	0.3	0.4
Sun Pharma Advanced Research Company Ltd	—	—	—	—	11.3	7.5	11.3	7.5
Sale of Fixed Asset	—	—	—	—	—	0.1	—	0.1
Sun Petrochemical Pvt Ltd	—	—	—	—	—	0.1	—	0.1
Receiving of Service								
Services	—	—	—	—	13.1	—	13.1	—
Sun Pharma Advanced Research Company Ltd	—	—	—	—	13.1	—	13.1	—
Reimbursement of Expenses	—	—	—	—	2.6	—	2.6	—
Sun Pharma Advanced Research Company Ltd	—	—	—	—	2.6	—	2.6	—
Rendering of Service								
Services	—	—	—	—	5.5	0.5	5.5	0.5
Sun Petrochemical Pvt Ltd	—	—	—	—	5.5	0.5	5.5	0.5
Reimbursement of Expenses	—	—	—	—	26.1	67.9	26.1	67.9
Sun Pharma Advanced Research Company Ltd	—	—	—	—	26.1	67.9	26.1	67.9
Loans Given	—	—	—	—	58.5	—	58.5	—
Sugandh Management Consultancy	—	—	—	—	58.5	—	58.5	—
Loans Received back /								
Share Application Money Refund	—	—	—	—	253.2	—	253.2	—
Shantilal Shanghvi Foundation	—	—	—	—	10.0	—	10.0	—
Sugandh Management Consultancy	—	—	—	—	243.2	—	243.2	—
Corporate Guarantee given on behalf	—	—	—	—	—	125.0	—	125.0
Sun Pharma Advanced Research Company Ltd	—	—	—	—	—	125.0	—	125.0
Rent Income	—	—	—	—	0.1	0.1	0.1	0.1
Navjivan Rasayan (Gujarat) Pvt Ltd	—	—	—	—	0.1	0.1	0.1	0.1
Director's Remuneration	31.1	30.6	—	—	—	—	31.1	30.6
Apprenticeship Stipend / Remuneration	—	—	0.3	0.2	—	—	0.3	0.2
Rent Paid	—	—	—	0.3	—	—	—	0.3
Outstanding Corporate Guarantee to Bank	—	—	—	—	125.0	125.0	125.0	125.0
Sun Pharma Advanced Research Company Ltd	—	—	—	—	125.0	125.0	125.0	125.0
Outstanding Receivables / Payables (Net)								
as on 31/03/2009	—	—	—	—	104.4	123.9	104.4	123.9
Sun Pharma Advanced Research Company Ltd	—	—	—	—	26.7	65.8	26.7	65.8
Shantilal Shanghvi Foundation	—	—	—	—	48.1	58.1	48.1	58.1
Sugandh Management Consultancy	—	—	—	—	28.2	—	28.2	—
Others	—	—	—	—	1.4	(0.0)	1.4	(0.0)

Note :

Names of related parties and description of relationship

- Key Management Personnel
 - Mr Dilip S Shanghvi
 - Mr Sudhir V. Valia
 - Mr Saitesh T. Desai
- Relatives of Key Management Personnel
 - Mrs Vibha Shanghvi
 - Mrs Kumud Shanghvi
 - Mrs Meera Desai
 - Mr Alok Shanghvi
 - Ms Khyati Valia
 - Wife of Chairman and Managing Director
 - Mother of Chairman and Managing Director
 - Wife of Wholetime Director
 - Son of Chairman and Managing Director
 - Daughter of Wholetime Director
- Enterprise under significant Influence of Key Management Personnel or their relatives
 - Sun Petrochemical Pvt. Ltd.
 - Sun Speciality Chemicals Pvt. Ltd.
 - Navjivan Rasayan (Gujarat) Pvt. Ltd.
 - Sun Pharma Advanced Research Company Ltd.
 - Shantilal Shanghvi Foundation
 - Sugandh Management Consultancy



Notes





Notes





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